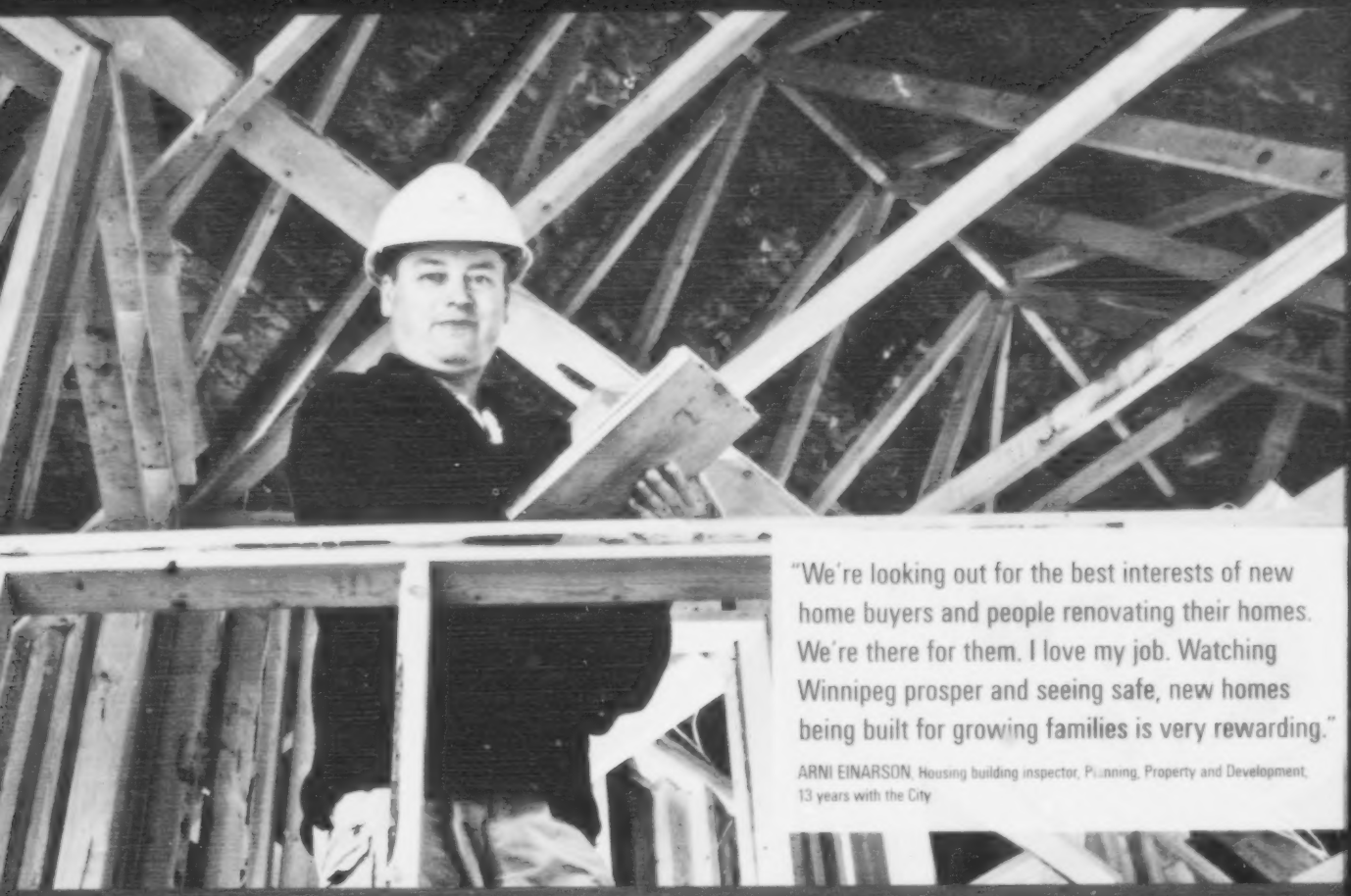
Winnipeg

Investing in a Better Tomorrow 2004

ANNUAL REPORT



"We're looking out for the best interests of new home buyers and people renovating their homes. We're there for them. I love my job. Watching Winnipeg prosper and seeing safe, new homes being built for growing families is very rewarding."

ARNI EINARSON, Housing building inspector, Planning, Property and Development; 13 years with the City

Winnipeg

2004 ANNUAL REPORT

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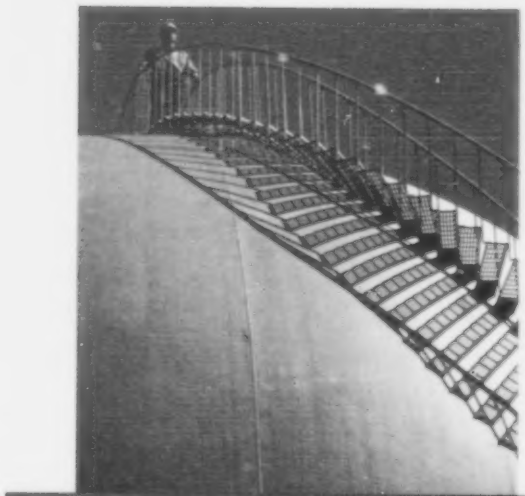
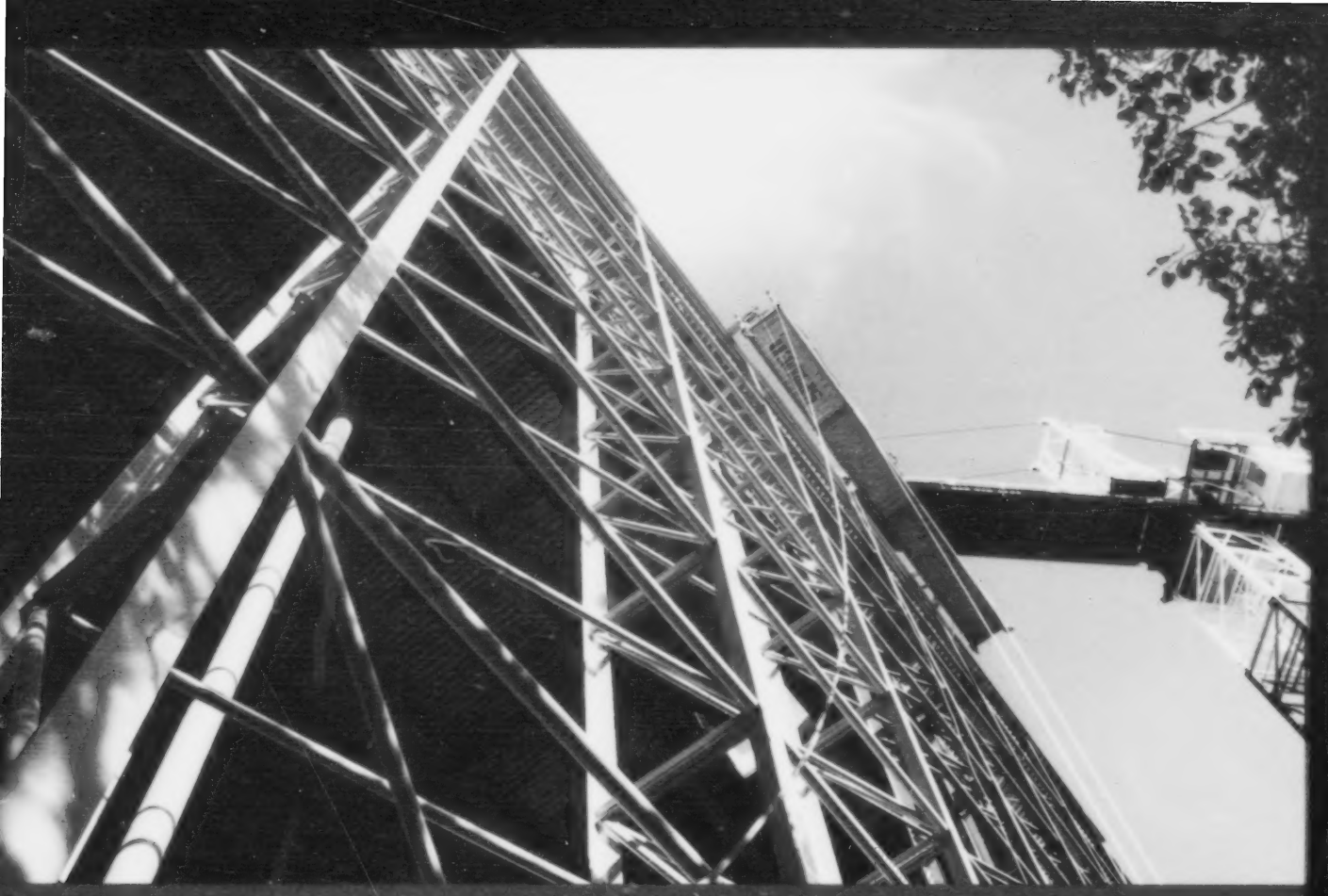


Winnipeg is a great city. There is much to be proud of. The City of Winnipeg, with a workforce of about 8,800 employees, is helping to build on that strong base, investing in a better tomorrow. Its employees take pride in the work they do and in serving the community. This annual report provides an opportunity to see the type of work some of these employees do.

Manitoba Cataloguing in Publication Data
Winnipeg (MB). Corporate Finance Dept.
Annual Report.
Annual Report year ends December 31.
Continues: Winnipeg (MB). Finance Dept. Annual Report.
ISSN: 1201-8147 = Annual Report-City of Winnipeg.
1. Winnipeg (MB) - Appropriations and expenditures-Periodicals.
2. Finance, Public - Manitoba-Winnipeg-Periodicals.
HJ9014.M36W56 352.1710912743



Investing in a Better Tomorrow

PARTNERS,

PLANNERS,

INVESTORS.

Winnipeg's history has been written by people from all over the world, who gave their time, talent and energy to make this a great Canadian city. As a civic government, we believe that the families, firms, and individuals, who choose to invest in Winnipeg today, deserve partners who help them make the most of that investment.

Our plan to be a good partner to citizens is *Plan Winnipeg 2020 Vision*, the community's plan. It commits us "to be a vibrant and healthy city, which places its highest priority on quality of life." Across the whole spectrum of city life, Winnipeggers have spoken about the future they see: a vigorous downtown and vital neighbourhoods, healthy development and a strengthened infrastructure, safer streets and communities, and an ever more beautiful city, where there's always something fun to see and do.

Plan Winnipeg calls on civic government to provide sound management, excellent service and partnership in economic development. We take that call very seriously; we want everyone who invests in Winnipeg – with capital, creativity or the confidence to make this their home – to know they've made the right decision.

We have done some significant work over the last several years to live up to *Plan Winnipeg*'s vision of prudent, efficient government. Since 1990, the civic workforce was reduced from 11,000 employees to fewer than 8,800. In 2004, the City of Winnipeg continued to achieve significant operational

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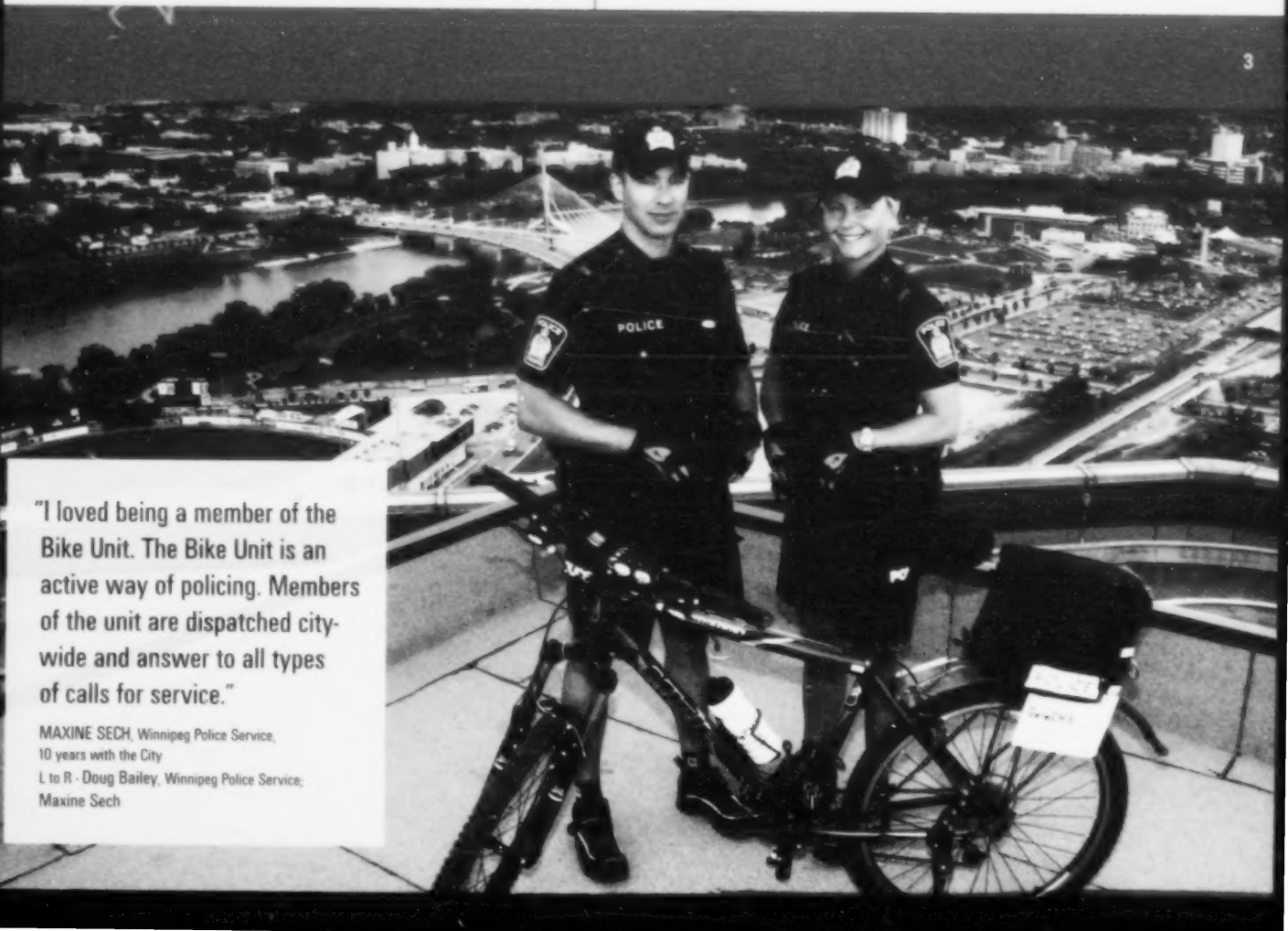
efficiencies, and was able once again to produce a balanced budget with no tax increase: the seventh year in a row that property taxes were frozen or reduced. While frontline services have been maintained, the civic government is consuming far less of Winnipeg's wealth, proportionally, than it did in 1992 – this consumption has dropped from 4.5% to 1.8% of the City's Gross Domestic Product.

These decisions have given citizens more scope to invest in Winnipeg itself; they help improve the City's already clear attractiveness as a place to do business. Our central location, highly skilled workforce, diverse economy and low cost of doing business make Winnipeg truly a "value city." Civic government is determined to add to that value.

Investments in civic infrastructure, to enhance the quality of life *Plan Winnipeg* envisions, have been strategic. In the 2004 budget, the City invested $219.5 million in infrastructure projects, including $38 million on street renewal and $26 million for a water treatment plant.

The City of Winnipeg has been a facilitator or partner for a number of downtown projects such as the MTS Centre, the Millennium Library and the new Manitoba Hydro building (construction to start in 2005). The City has partnered with CentreVenture to encourage Credit Union Central of Manitoba's construction of its new corporate headquarters, and opened Waterfront Drive in 2004, which triggered $48 million in residential and commercial development.

The City of Winnipeg has a plan, *Plan Winnipeg*, that is the focus of every business plan in every department. Planning enables the City to focus on what Winnipeggers want, and what the civic economy needs. Like citizens, civic government is a partner in planning, investing and preparing for a better future.



"I loved being a member of the Bike Unit. The Bike Unit is an active way of policing. Members of the unit are dispatched city-wide and answer to all types of calls for service."

MAXINE SECH, Winnipeg Police Service, 10 years with the City
L to R - Doug Bailey, Winnipeg Police Service; Maxine Sech

Message from the Mayor of the City

The year 2004 was one of transition for the City of Winnipeg, as people took the opportunity to provide me with the chance to bring a new vision and a new course to City Council.

Winnipeg is a city at a crossroads. It has worked hard to create growth and momentum, while at the same time it has identified major issues that can no longer be passed to future generations. In this environment, there are many challenges and opportunities to be considered. I have committed my first months in office to ensuring the priorities of City Council are established so the city can make the most of both.

It is with these priorities in mind that I fought to see some $43 million directed towards our long-ignored community and recreation facilities. It is with these priorities in mind I established a commission to identify and eliminate the red tape that does so much to slow the development of business in the City of Winnipeg and inconvenience its citizens. In order to succeed, Winnipeg must be a city that is open to business, and for business.

I have also worked with other governments to establish a new level of funding to address our critical infrastructure needs – particularly on our roads and bridges, many of which have been neglected for too long.

Of course, there are several achievements to reflect on as well. In 2004, a new downtown began truly taking shape, with the launch of several privately-funded condominium projects along Waterfront Drive, as well as the grand opening of the stunning new MTS Centre. The development of Red River College's downtown campus on Princess Street has entered its final phases, and construction is now under way on a new headquarters for Manitoba Hydro on Portage Avenue.

Financially, Winnipeg continued along the right track this past year, maintaining a property tax freeze while the administration found ways to deliver services within existing budgets.

In these important areas I have moved to put a foundation in place so that I can work with City Council to build a Winnipeg that recaptures the imagination and spirit it once enjoyed.

Together with my colleagues on Council, and with the support of the City Administration, we can work to create a true 'City of Opportunity' for all.

Sam Katz

Sam Katz, Mayor of the City of Winnipeg

2004 CITY COUNCIL

Mayor Glen Murray *resigned May 11, 2004*

Mayor Sam Katz *sworn into office June 24, 2004*

John Angus, St. Norbert Ward
- Chairperson, Standing Policy Committee on Public Works *resigned as Chair January 2004*
- Chairperson, Alternate Service Delivery Committee *commencing Oct. 19, 2004*

Donald Benham, River Heights - Fort Garry Ward *sworn into office June 24, 2004*

Bill Clement, Charleswood - Tuxedo Ward
- Chairperson, Standing Committee on Fiscal Issues

Peter De Smedt, St. Charles Ward
- Chairperson, Standing Policy Committee on Property and Development *commencing Oct. 19, 2004*
- Chairperson, Standing Policy Committee on Downtown Development *commencing Oct. 19, 2004*

Jae Eadie, St. James - Brooklands Ward
- Secretary for Governance Reform *until Oct. 19, 2004*
- Chairperson, Standing Policy Committee on Public Works *commencing Oct. 19, 2004*

Jenny Gerbasi, Fort Rouge - East Fort Garry Ward
- Chairperson, Standing Policy Committee on Protection and Community Services *until Oct. 19, 2004*

Harry Lazarenko, Mynarski Ward
- Deputy Speaker
- Chairperson, Riverbank Management Committee

Mark Lubosch, North Kildonan Ward
- Secretary of Urban Environmental Strategies *commencing Oct. 19, 2004*

Franco Magnifico, St. Boniface Ward *sworn into office June 24, 2004*
- Chairperson, Red Tape Commission *commencing Oct. 19, 2004*

Mike O'Shaughnessy, Old Kildonan Ward
- Speaker of Council
- Chairperson, Secretariat Committee of Council

Mike Pagtakhan, Point Douglas Ward
- Chairperson, Standing Policy Committee on Property and Development *commencing May 14 until Oct. 19, 2004*
- Deputy Mayor *commencing Oct. 19, 2004*
- Chairperson, Alternate Service Delivery (ASD) Committee *until Oct. 19, 2004*

Harvey Smith, Daniel McIntyre Ward

Garth Steek, River Heights – Fort Garry Ward *resigned May 14, 2004*

Gord Steeves, St. Vital Ward
- Acting Deputy Mayor
- Chairperson, Standing Policy Committee on Public Works *commencing Jan. 28 until Oct. 19, 2004*
- Chairperson, Standing Policy Committee on Protection and Community Services *commencing Oct. 19, 2004*

Lillian Thomas, Elmwood - East Kildonan Ward
- Secretary of Intergovernmental Affairs *until Oct. 19, 2004*
- Secretary of Urban Aboriginal Opportunities *commencing Oct. 19, 2004*

Daniel Vandal, St. Boniface Ward *resigned May 14, 2004*
- Deputy Mayor *until May 14, 2004*
- Chairperson, Standing Policy Committee on Property and Development *until May 14, 2004*

Russ Wyatt, Transcona Ward
- Chairperson, Rapid Transit Review Task Force *commencing Oct. 19, 2004*

2004 SENIOR ADMINISTRATORS

Annitta Stenning
- Chief Administrative Officer

Robert P. Gannon
- Chief Financial Officer

Cliff Jeffers
- Chief Information Officer
- Acting Chief of Human Resources and Corporate Services

Rick Borland
- Director, Winnipeg Transit

Jack Ewatski
- Chief, Winnipeg Police Service

Harry Finnigan
- Director, Planning, Property and Development

Bill Larkin
- Director, Public Works *commencing July 5, 2004*

Barry MacBride
- Director, Water and Waste

Brian Moore - City Assessor

Wes Shoemaker
- Chief, Winnipeg Fire Paramedic Service

Ursula Stelman
- Director, Community Services

Shannon Hunt - City Auditor

Richard Kachur - City Clerk

Message from the CAO

As City staff, we are given an exciting opportunity to work with Council and our community to achieve positive change. We take great pride in being both committed citizens and dedicated professionals: who we are is at the heart of what we do – and a vibrant, prosperous Winnipeg is close to all our hearts.

In 2004, we welcomed our new Mayor and two new members of Council, and the infusion of new ideas and enthusiasm they brought with them. Our task is to provide sound advice and professional skill in implementing Council's policies, while continuing to strive for the highest standards in the provision of the services on which Winnipeggers rely. With Plan Winnipeg 2020 as our guide, that is exactly what we are working to do.

Annually, each one of our departments undergoes an extensive business planning process, to spark innovation and to seek efficiencies. The core of all our business planning, though, is respect; respect for our fellow citizens, respect for the importance of the services we are entrusted with providing and respect for the resources that are in our care.

We are keenly conscious that we are stewards of hard-earned community resources. We have worked hard to help Council achieve its fiscal goals, and we are proud that both Moody's and Standard & Poor's have reaffirmed the City's credit rating, at Aa2 and AA, respectively.

Looking ahead, we know that strategic investments are needed to ensure that Winnipeg is the kind of city all of us want it to be. Over the past year, we have continued to invest in the people and programs that will help us to remain leaders in providing excellent service to the public.

Winnipeg's civic workforce has undergone tremendous changes. Since 1990, it has been reduced by over 2,000 employees. Of those remaining employees, 50% will be eligible to retire in 2010. These are our service providers, the people who help keep the city clean, safe, and beautiful. We have to ensure the community of quality service to citizens, and so we are investing in our people, our civic workforce.

We are investing in employee training and education, through programs like our City/CUPE Joint Education Fund, which supports everything from foremen's training to advanced computer skills. We are supporting our employees with better

computer technology; the Connexus project, completed in 2004, offers employees in many departments new, more powerful tools with which to do their work. Our Safety, Health, and Organizational Wellness initiative, launched in 2004, is designed to reduce workplace injury and illness, and promote healthy lifestyles amongst staff.

A healthier, better-trained, better-equipped workforce will serve Winnipeg better. As will a workforce that is clearly committed to things that matter to Winnipeggers. In 2004, we began converting our workplace to a competency-based model. We are explicitly identifying the skills, knowledge and attributes that we need in every position and across the organization, to provide excellent service to the public. This initiative will help us to recruit, train and manage our performance more effectively. Every civic employee will know that we are committed to innovation, customer service, results and accountability.

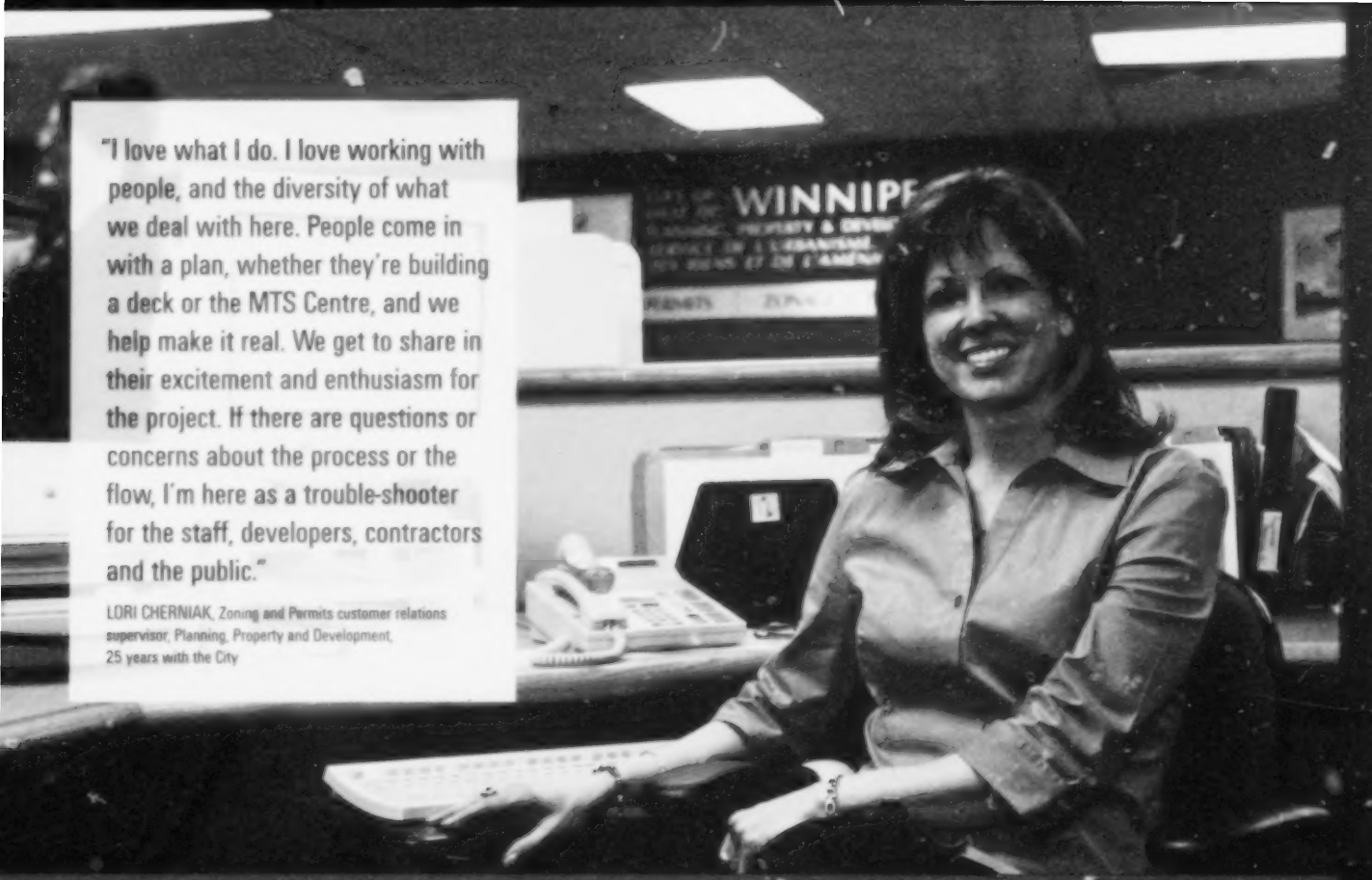
Investing in our people is an investment in our service capacity, which we have made on behalf of citizens. In 2004, while continuing to achieve significant efficiencies, we also continued to invest in programs which matter to Winnipeggers, which you can read about in the pages of this report.

The City has invested in improvements to the North End Pollution Control Centre and the reconstruction of Main Street. The Kenaston Underpass is proceeding, and our flood-readiness was improved with the completion of a five-year dike improvement project. The Winnipeg Police Service has converted to computer-aided dispatch and expanded its community patrol model; the Fire Paramedic Service purchased new thermal imaging cameras and mobile decontamination units, so they are better equipped to assist at the scene. In 2004, recycling became easier than ever before and "Permits X-Press" is reducing red tape for homeowners and industry professionals.

In every area for which we are responsible, we are working to manage prudently, invest wisely and advance Council's agenda for a better future for Winnipeg. With the help of many partners in the community, I am sure we will succeed.

Annitta Stenning

Annitta Stenning, Chief Administrative Officer



"I love what I do. I love working with people, and the diversity of what we deal with here. People come in with a plan, whether they're building a deck or the MTS Centre, and we help make it real. We get to share in their excitement and enthusiasm for the project. If there are questions or concerns about the process or the flow, I'm here as a trouble-shooter for the staff, developers, contractors and the public."

LORI CHERNIAK, Zoning and Permits customer relations supervisor, Planning, Property and Development, 25 years with the City

Strengthening the Bottom Line

THE BUSINESS OF GOVERNMENT

In 2004, the City of Winnipeg continued its focus on improving customer service – whether it was investing in its workforce, making it easier to do business with the City, accessing City services, ensuring Winnipeggers got more for their taxpayer's dollar or simply improving internal processes to be more efficient. Such initiatives resulted in a growing recognition of the high-quality work being done by City employees.

Permits X-Press – Aimed at reducing red tape and speeding up the process to get a building permit, Permits X-Press is being phased in over two years. In December 2004, 70% of contractors surveyed indicated they had noticed improvements over the previous six months. Among the changes were: separate customer service areas for homeowners and industry professionals, an appointment system for industry professionals, enhanced staffing during peak construction periods, an enhanced Web site, a better application process for commercial projects, improved application status updates and new payment options for registered contractors.

Special Operating Agencies – The City of Winnipeg, which broke new ground in becoming Canada's first city government to take a more entrepreneurial approach to doing business, currently has four Special Operating Agencies or

service delivery units, which are bottom-line driven. In 2004, Animal Services, the City's first SOA, increased its revenues by 49%.

More Efficient IT Hardware Platforms – Removal of the old technology "mainframe" computer and moving key computer systems to more efficient and effective hardware platforms has ensured that disaster-resistant systems, on which the City's minute-to-minute operations increasingly depend, can be made continuously available.

GIS Technology – Corporate IT helped the Insect Control Branch in the fight against mosquitoes – using Web-based GIS (Geographic Information Systems) applications to monitor wet areas for possible treatment and follow-up, as well as to monitor crew activity. Using in-house GIS technology, CIT also helped Winnipeg Fire Paramedic Service to perform "what if" scenarios involving theoretically relocating stations to achieve improved response times.

PeopleSoft – In April 2004, Connexus, one of the largest technology projects undertaken by the City, was completed on-time and on-budget. Providing enhanced reporting and analysis capabilities, the PeopleSoft system allows the City to manage its human resource, finance and budgeting processes and achieve greater efficiencies.

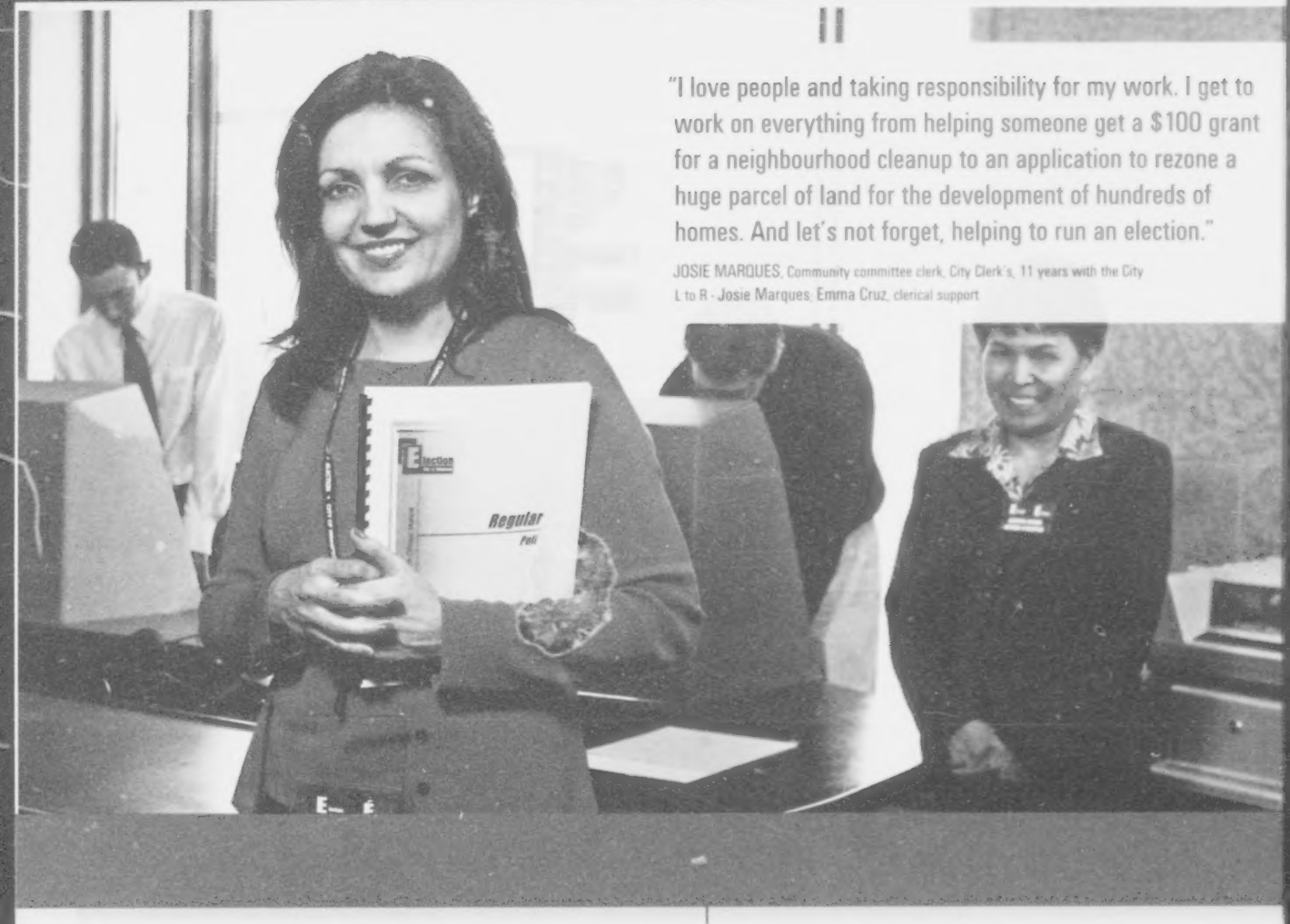
Awards of Recognition – In 2004, the City of Winnipeg received local, national and international recognition for the quality of its work and performance:

- Distinguished Budget Presentation Award from the Government Finance Officers Association, a Chicago-based association of 14,000 government finance professionals.
- Best Public Works Week in Canada presented by the Canadian Public Works Association for the third consecutive year for Winnipeg's Public Works Expo.
- PeopleSoft Financial Management Trailblazer Awards for the Connexus Project, the largest technology project ever undertaken by the City.
- 2004 award for Organizational Commitment to Workplace Literacy and Education from the Canadian Association of Municipal Administrators (CAMA) for the City/CUPE Joint Education, Training and Staff Development Fund.
- 2004 International Telecommunicator of the Year Award from the 16,000-member Association of Public Safety Communications Officials for one of Winnipeg Police Service's communications operators.
- Arthur G. Hayden Medal for outstanding achievement and innovation in special-use bridges from the Engineering Society of Western Pennsylvania for Esplanade Riel, Manitoba's first cable-stayed bridge.
- Canadian Architect magazine 2004 Award of Excellence for the Millennium Library as a "signature" building for the city.
- Canadian Urban Transit Association national award for excellence to Winnipeg Transit for providing public information utilizing new technology through its Web site and the NAVIGO Trip Planner.

- 2004 Canada Post Literacy Awards finalist for community leadership to the City/CUPE Joint Education, Training and Staff Development Fund.

Competency-based Model – In 2004, the City initiated a move to a competency-based model for its workplace to help concentrate on what it does, how it does it and what it needs to do to be more successful. Identifying key competencies or success factors will enable the City to focus on learning and development opportunities for its employees, employee work planning and performance, succession planning and recruitment, selection, hiring and promotion activities.

Creating A Diverse Workforce – One of the City's main challenges for the future is to be a workplace of choice. By making a commitment to equity and diversity, the City is fostering a positive environment that will lend itself to



"I love people and taking responsibility for my work. I get to work on everything from helping someone get a $100 grant for a neighbourhood cleanup to an application to rezone a huge parcel of land for the development of hundreds of homes. And let's not forget, helping to run an election."

JOSIE MARQUES, Community committee clerk, City Clerk's, 11 years with the City
L to R - Josie Marques, Emma Cruz, clerical support

recruiting and retaining competent people, who better understand the needs of the community. In 2004, as part of its Action Plan for Creating a Diverse Workforce, the City established benchmarks that would see women in its workforce grow to 31.1% by 2005 (up from 28.3%), Aboriginal people to 7.8% (up from 5.8%), visible minorities to 6.7% (up from 5.0%) and persons with disabilities to 4.7% (up from 3.6%).

Aboriginal Initiatives – In 2004, as a result of First Steps: Municipal Aboriginal Pathways (MAP), a policy document endorsed by Council in 2003, the City implemented Aboriginal awareness training to create a workforce that values and is respectful of Aboriginal culture. Three Aboriginal internships were created and the City worked with the Manitoba Metis Federation and Assembly of Manitoba Chiefs to find ways of attracting and hiring qualified Aboriginal people. A first-ever forum for Aboriginal employees was held to share ideas on how to make the workplace more welcoming and respectful.

Universal Design – Faced with an aging and increasingly diverse community, the City is committed to ensuring its citizens can comfortably use its facilities, information and services. A universal design consultant, hired in 2003, has collaborated with City departments to integrate universal design principles in all services. In 2004, the St. James-Assiniboia Centennial Pool expansion integrated features and equipment that ensure young people and older adults are welcome, safe and comfortable when accessing the gym and pool. Streetscaping on Main Street included a sidewalk path that is well-defined with colour and texture, making it easy for all citizens to get around. City Web sites were redesigned using universal Web design methods. A downtown

park was turned into a Japanese scent garden in anticipation of the Disabled Persons International Conference bringing more than 1,000 delegates to Winnipeg.

Safety, Health and Organizational Wellness (SHOW) Initiative – An increase in new long-term disability claims and Workers Compensation claims, plus changes to the Workplace Safety and Health Act put a greater onus on the City to ensure a positive, respectful, safe and healthy work environment for its employees. In response, the City developed a comprehensive strategic plan to address all aspects of workplace wellness: physical (safety and health), psychological (policies and practices) and social/individual health (lifestyle choices and practices). Employees were surveyed and priority action plans were established to enhance the organizational safety program, develop a case management process and create a fitness/healthy lifestyle initiative.

City/CUPE Joint Education, Training and Staff Development Fund – Under a three-year, $3-million funding agreement between the City and Local 500 of the Canadian Union of Public Employees, a new Career Development Opportunities Program was established in 2004 to provide 10 CUPE-rated employees with a year-long opportunity to use the skills and knowledge acquired through education and training in an actual work situation.

2004 Citizen Satisfaction Survey – Despite financial constraints, the City of Winnipeg has done well in meeting citizen expectations. A random telephone survey of 1,600 Winnipeggers, conducted by Kisquared in September 2004, indicated 72% of respondents believe they're getting good to very good value for their municipal tax dollar. A total of 88% of those surveyed indicated they were very satisfied or satisfied with overall City services, up from 78% in 1998.

By-election 2004 – A civic by-election was held June 22 for Mayor and Councillors in St. Boniface and River Heights-Fort Garry. A voter turnout of 58% was the second highest since Unicity. More than 1,500 temporary poll workers were recruited and trained to staff the advanced and election-day polls.

Bylaw Database – City Clerk's introduced a comprehensive, searchable database of more than 800 bylaws passed by Council since September 2001.

Closed Captioning and Digital Recording of Council Meetings – To enable the deaf community to have full access to televised City Council meetings, closed captioning was implemented on Feb. 25, 2004. A real-time audio broadcast of Council meetings was also initiated via the Internet.

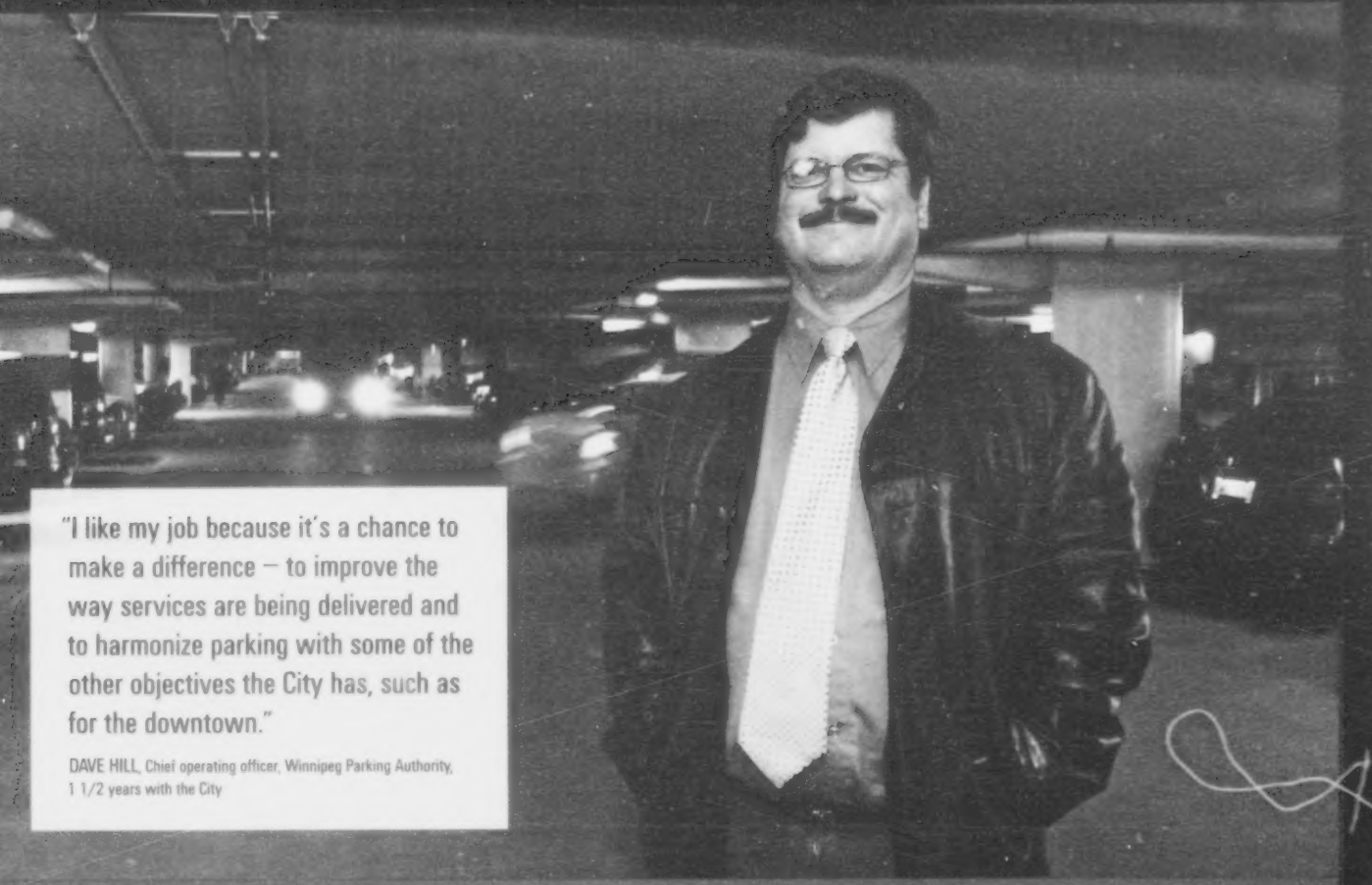
Public Access Terminals – Three computer terminals were installed in the Council Building to provide access to the City's Web site and the City Clerk's Decision Making Information System (DMIS), so members of the public can view Council and Committee agendas, minutes, disposition of items and Hansard.

Winnipeg.ca – The official gateway to all City of Winnipeg Web sites, Winnipeg.ca was redesigned in 2004. The new citizen-centred homepage includes guide pages such as CityLife, Businesses and eServices to help Winnipeg residents, visitors and businesses find city information and services more easily.

Sewer Overflow Status – From spring to late fall, residents can now go to the City's Web site 24 hours a day, seven days a week, and check the probability of overflows anywhere in the sewer system, based on readings from high-water sensors in the sewer system and other indicators, such as river levels.

Automated Library Services – In 2004, the Winnipeg Public Library launched a new Web site that provides library users with access to a catalogue of library materials, allows them to place a hold on a book, renew borrowed materials, search the many online databases subscribed to by the library and book a library computer.

Recovery Procedures for Unpaid Bylaw Fines – Legal Services worked with Provincial Court Services to restructure Bylaw Court so there are a range of recovery procedures for unpaid bylaw fines, including holds on drivers' licences.



"I like my job because it's a chance to make a difference – to improve the way services are being delivered and to harmonize parking with some of the other objectives the City has, such as for the downtown."

DAVE HILL, Chief operating officer, Winnipeg Parking Authority, 1 1/2 years with the City

Redefining Our Downtown

A CHANGING NEIGHBOURHOOD AND SKYLINE

Council policies and direction are helping to change the urban landscape and to bring renewed life to Downtown Winnipeg, making it a viable place to live, work and play. New condominium projects and more affordable, low-income housing are bringing people downtown to live. New office space is creating jobs and a brand new arena is encouraging people to spend their sports and entertainment dollars downtown.

Downtown Winnipeg Zoning Bylaw – To support and enhance the diversity and vibrancy of downtown, as well as its unique and distinctive character, a new Downtown Winnipeg Zoning Bylaw was passed by Council in June 2004. The bylaw regulates the types of land use, building heights, density, signs, parking and loading requirements, and provides for an urban design review of all developments.

As such, it provides a filter for determining the appropriateness of development proposals. The zoning regulations, written in clear and simple language, reflect Downtown Winnipeg policy, which has evolved with the adoption of Plan Winnipeg 2020 Vision, CentrePlan, the Downtown Development Framework and the creation of CentreVenture Development Corporation.

Winnipeg Parking Authority – In 2004, Council approved the charter, officially creating the Winnipeg Parking Authority, which focuses on downtown parking issues and being more responsive to customers.

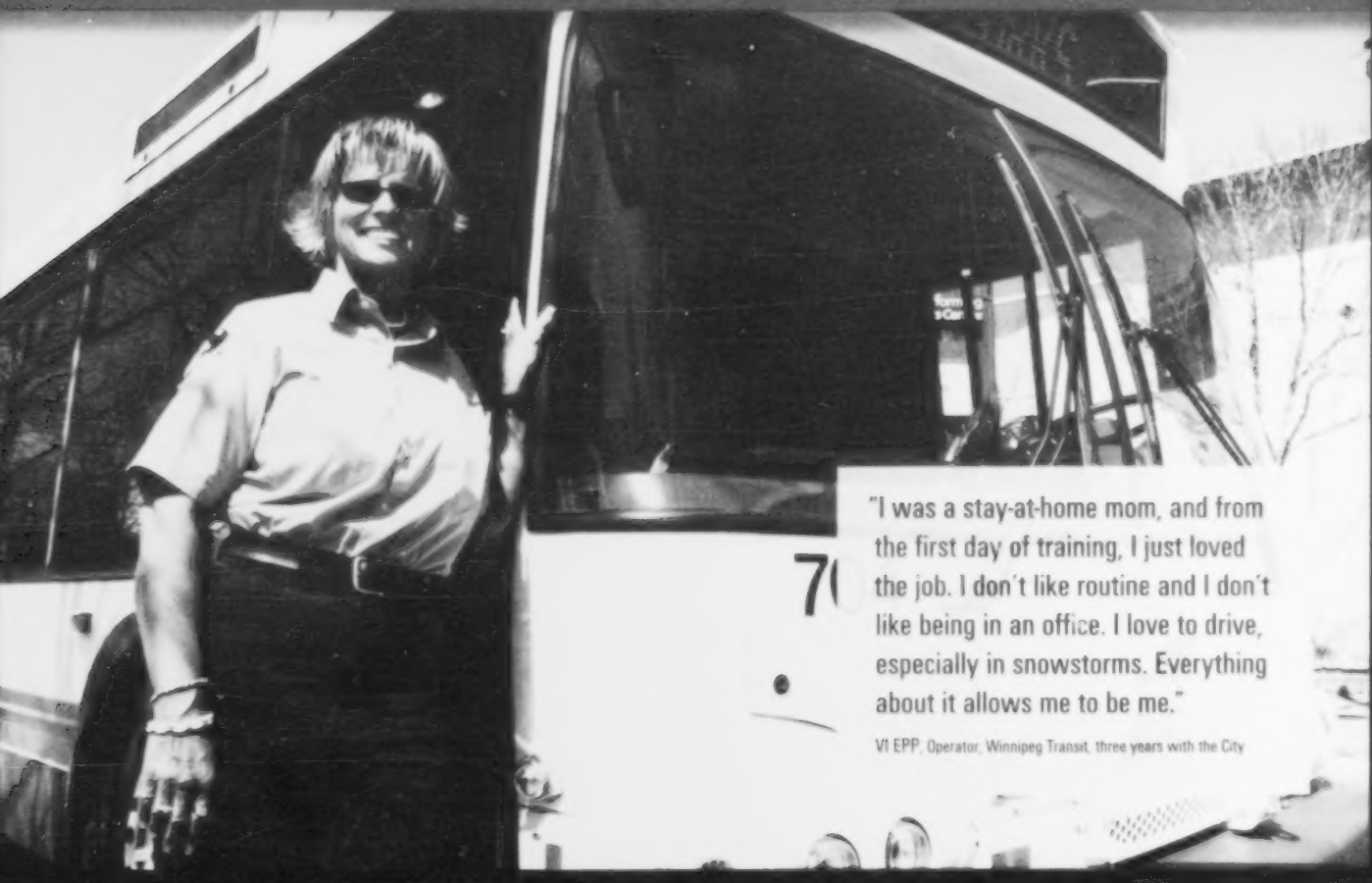
Standing Policy Committee on Downtown Development – As recommended in Getting Down to Business, a downtown initiatives strategy, the City in 2004 established a single decision-making authority for all downtown development applications. Chaired by a member of Council, the Standing Policy Committee on Downtown Development will enhance customer service and avoid time-consuming delays for developers and conflicting decisions by various approval bodies.

Downtown Maintenance – In 2004, Council approved additional funding for enhanced upkeep in the downtown. Staffing resources were also specifically designated for maintenance in the downtown.

Waterfront Drive – In the 1980s and 1990s, the City had the foresight to acquire land formerly used as rails along the Red River. On Aug. 24, 2004, Waterfront Drive, a landscaped roadway and riverside park, was officially opened by representatives of the three levels of government, signalling the completion of the $9.1-million infrastructure project in the City's historic East Exchange District. The opening was accompanied by an announcement of an estimated $50-million investment by the private sector in four Waterfront condominium projects that combine residential with retail/commercial space. The Consulting Engineers of Manitoba recognized Waterfront Drive with an award of excellence for innovation.

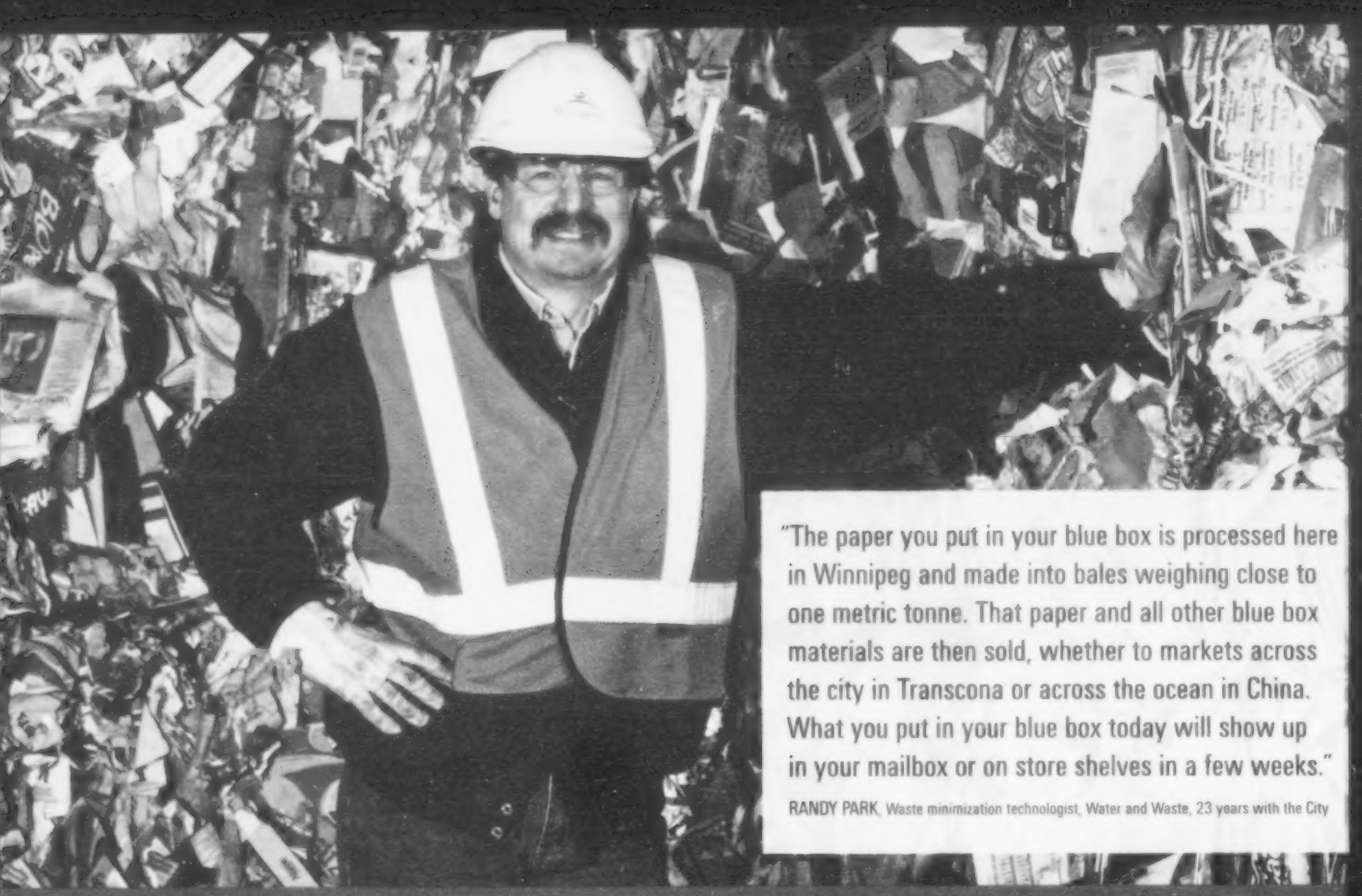
Millennium Library – More than 35,300 cubic feet of concrete, 350 tons of structural steel and 100 tons of reinforced steel were used as construction got under way in 2004 on the renovation and 40,000-square-foot addition to the Millennium Library. Expected to open in the fall of 2005, the library already has people taking notice of what will truly be a "signature" building for the city.

Manitoba Hydro – As part of an agreement with the City of Winnipeg to purchase Winnipeg Hydro, Manitoba Hydro committed to building a new downtown headquarters. In 2004, Hydro acquired an entire city block on the south side



"I was a stay-at-home mom, and from the first day of training, I just loved the job. I don't like routine and I don't like being in an office. I love to drive, especially in snowstorms. Everything about it allows me to be me."

VI EPP, Operator, Winnipeg Transit, three years with the City



"The paper you put in your blue box is processed here in Winnipeg and made into bales weighing close to one metric tonne. That paper and all other blue box materials are then sold, whether to markets across the city in Transcona or across the ocean in China. What you put in your blue box today will show up in your mailbox or on store shelves in a few weeks."

RANDY PARK, Waste minimization technologist, Water and Waste, 23 years with the City

of Portage Avenue for what will be one of the world's most energy-efficient buildings. When completed in 2006, it will bring nearly 2,000 employees downtown to work.

MTS Centre – On Nov. 16, 2004, a sell-out crowd helped officially open the 15,000-plus-seat MTS Centre. The $133.5-million entertainment complex, of which the City contributed $14.5 million, is home to the Manitoba Moose and will annually host more than 130 events. It's expected to bring nearly 800,000 people downtown a year.

Winnipeg Housing and Homelessness Initiative – Through this tri-level partnership initiative, the City of Winnipeg contributed more than $1 million in 2004 to address the issue of declining housing stock in designated inner-city neighbourhoods. Funding through the City's Affordable Housing Initiative resulted in the rehabilitation of 82 houses, often vacant and boarded up, and in the construction of 25 infill houses. Funding was also allocated to Neighbourhood Renewal Corporations, which co-ordinated housing development in selected Housing Improvement Zones and provided small grants to property owners for critical repairs and exterior upgrades.

Project Breakaway – Resulting from public safety concerns in the downtown, Project Breakaway was developed to track those individuals who, because of their lifestyle, aggressive panhandling and disorderly behaviour on city streets, frequently come to the attention of police, firefighters, paramedics, healthcare providers and social workers. Working together, the various organizations and agencies have attempted to be pro-active and to connect street people with the appropriate resources, at the same time helping to enhance safety in the downtown.

City Crossing – The 2004 international design competition, featured in the Journal of the American Planning Association, explored urban design solutions for one of Canada's most historic corners, Portage and Main. The winning entry from among 90 entries world-wide was by Janet Rosenberg and Associates of Toronto and featured a windmill-powered "light forest" and a pedestrian friendly reconfiguration of the street and underground concourse. In partnership with property owners, the City is contracting with Rosenberg to undertake the detailed design.

"In my job, I am always dealing with unique situations, so even though I've worked in the Communications Centre for 26 years, I am never bored. The work we do is challenging, exciting and rewarding."

WANDA SIATECKI, Communications operator, Winnipeg Police Service, 26 years with the City

"There's a lot of variety in the job I do. I like being able to see a project completed. You can actually see what you've accomplished and that it's operating properly."

FRED COREY, Streets project engineer, Public Works, 24 years with the City
L to R - Fred Corey; Bill Ebenspanger, bridge design and projects engineer; Randy Fingas, bridge projects engineer.

Making New Connections

TRANSPORTATION AND INFRASTRUCTURE

Winnipeg's quality of life is hugely impacted by the City's infrastructure – roads, bridges, sewers and water mains. A 2004 Citizen Satisfaction Survey revealed infrastructure, but more specifically the condition of residential streets and major city routes, is the top priority for Winnipeggers at 34%. However, the challenge for the City is to not only maintain existing infrastructure, but also plan for growth and change.

Main Street Reconstruction – The City did road reconstruction on the west side of Main Street, between Alexander and Portage Avenues. The $4.5-million project included water main renewal and storm sewer upgrades, a new centre median and streetscaping. A Reconstruction Advisory Committee successfully worked with the City to identify concerns and recommend measures to lessen the project's impact on local businesses, residents and organizations.

Kenaston Underpass – As a result of tri-level strategic infrastructure funding announced in March 2004, the City is proceeding with construction of a railway underpass on Kenaston Boulevard, along with a new east-west arterial road. The underpass is in response to congestion caused by passing trains and residential growth in South Winnipeg, which between 1992 and 2002 resulted in a 16% increase in traffic on Kenaston, north of McGillivray Boulevard.

Residential Land Supply Study – The Planning and Land Use Division completed a comprehensive study to identify the location, type and quantity of land available for new residential development, in accordance with Plan Winnipeg. The study included a city-wide inventory of all vacant land in Neighbourhood Policy Areas, including the inner city, mature neighbourhoods and developing suburbs; the future need for housing in Winnipeg based upon new population projections; and an analysis of the available supply of vacant land to meet the demand for new housing over the next two decades.

Water Main Cleaning – The City flushed sediment from 424 kilometres of water mains. Over the next three years, the remaining 1,846 kilometres of pipes will be cleaned in readiness for a new water treatment plant coming online.

Aging Pipes Replaced – Water and Waste replaced a pair of aging, 54-year-old cast iron sewer pipes that transport wastewater under the Red River from old St. Boniface to the North End Water Pollution Control Centre. The $2.2-million project used environmentally friendly, trenchless technology to install new polyethylene pipes approximately 15 metres (50 feet) below the river bottom. Trenchless technology prevents destruction of the riverbank and surrounding area.

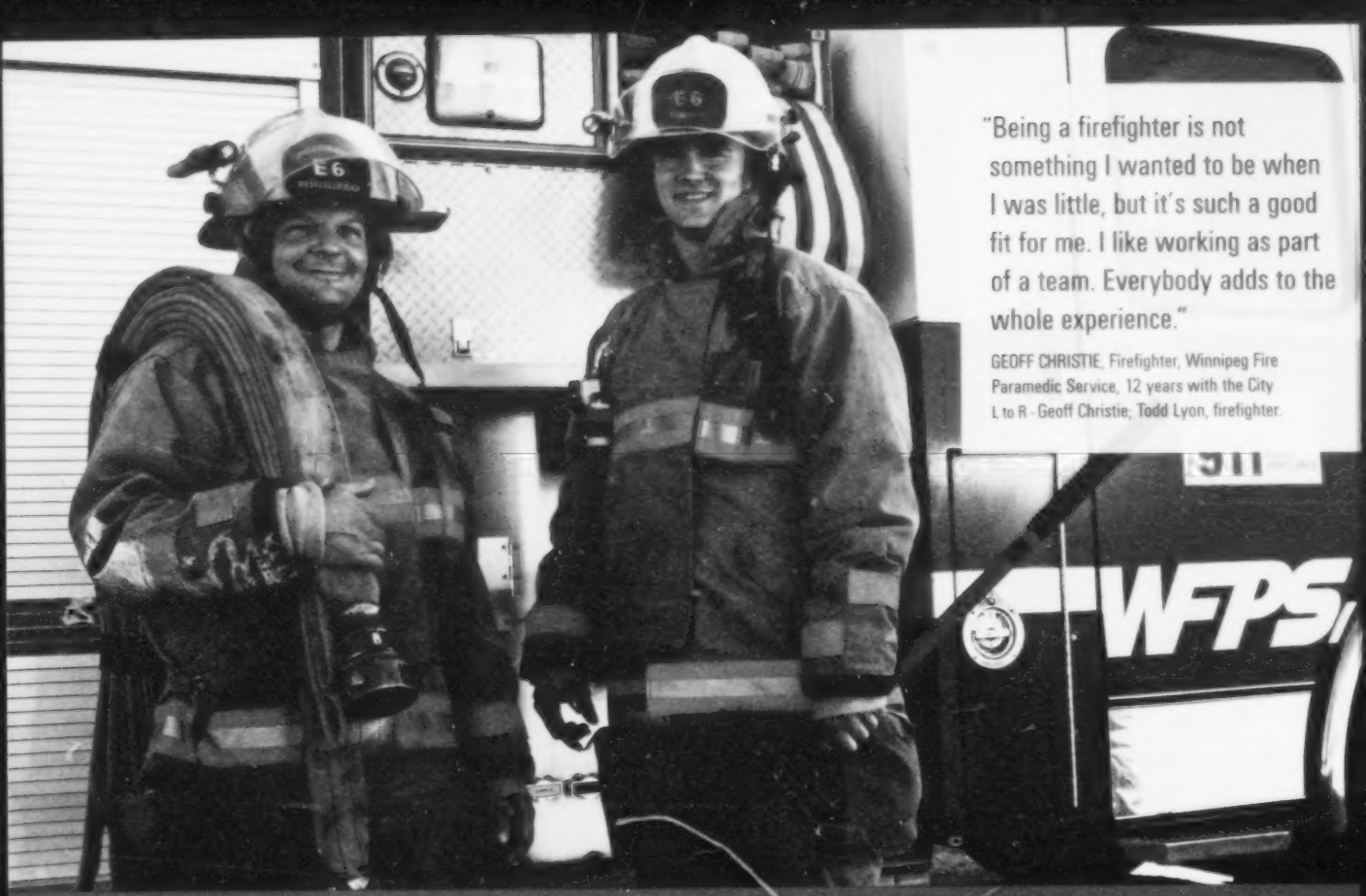
Secondary Dike Project – Together with the federal and provincial governments, the City completed a five-year, $11.1-million program to raise secondary dikes on private property, reducing the city's flood-proofing requirements during a major flood. Community ring dikes were either built or raised, and flood proofing was improved at a number of homes and multi-family dwellings.

Wastewater Lift Station – The Crane Avenue lift station, constructed in 1973 to lift wastewater to the treatment plant, was replaced at a cost of $1 million. To bring it to current standards, the entire below-ground station was replaced with a new wet well, pumps and an above ground building. Neighbouring residents were consulted on the architectural design to ensure it would be pleasing and complement the neighbourhood character.

NAVIGO Trip Planner – In 2004, Winnipeg Transit responded to about 4.5-million online requests (up from three million in 2003) for timetables, stop schedules, maps and trip planning using NAVIGO, which gives time and route options to get from Point A to B.

"I fix all the pumps, centrifuges and pipes – it's my dream job. These are expensive, big machines, and it's complicated. I live nearby, but I never realized before I started how important this (the North End Water Pollution Control Centre) is – it protects our environment and our health.""

EMIL KROCIL, Industrial mechanic, Water and Waste, three years with the City
L to R - Kurt Bychuk, industrial mechanic, Emil Krocil



"Being a firefighter is not something I wanted to be when I was little, but it's such a good fit for me. I like working as part of a team. Everybody adds to the whole experience."

GEOFF CHRISTIE, Firefighter, Winnipeg Fire Paramedic Service, 12 years with the City
L to R - Geoff Christie; Todd Lyon, firefighter.

Looking Out for Our Neighbours

HEALTH AND SAFETY

The City of Winnipeg is charged with keeping its citizens and employees safe. It's a responsibility the City takes seriously, whether it's fire and emergency medical response, building standards, mosquito control, traffic safety, policing or a safe workplace for its nearly 8,800 employees. In 2004, new bylaws and Council policies were approved to enhance the City's ability to ensure the health and safety of its citizens.

Vacant and Derelict Buildings Bylaw – In May 2004, Council passed the Vacant and Derelict Buildings Bylaw, one of the toughest bylaws in Canada with respect to vacant buildings. The objective of the bylaw is to ensure the safety of the public and emergency response crews, prevent arson, promote community pride and encourage the upkeep of properties so they don't become eyesores. The bylaw allows the City to take title to houses or commercial buildings whose owners have consistently ignored the laws governing the proper maintenance and safety of these buildings, and have been found guilty of contravening the bylaw.

Fire Prevention Bylaw – Passed by Council in October 2004, the bylaw replaced the Fire Prevention, Fire Alarm Systems and the Fireworks and Firecrackers Bylaws. It set out new requirements for the use of outdoor fire pits,

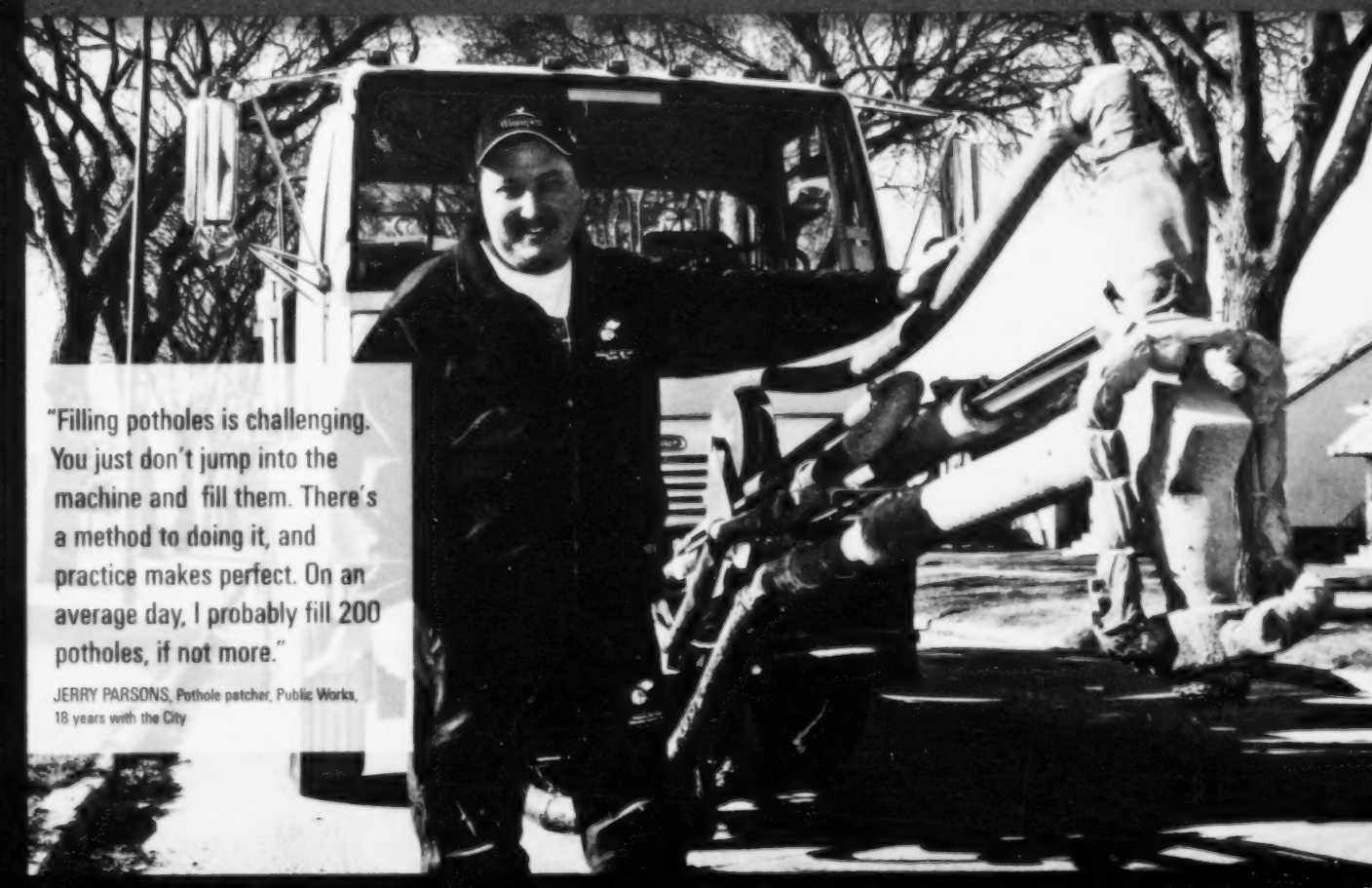
purchasing and discharging fireworks, re-inspection fees and maintenance requirements for life safety systems.

Alarm Response Policy – In consultation with local alarm companies, Winnipeg Police Service (WPS) developed a new policy in response to false burglar alarms. Police will only respond to residential and commercial distress alarms after the alarm company has attempted to verify the alarm status. Police will only respond to other types of residential and commercial alarms where the alarm company has verified the presence of criminal activity. It is anticipated this will free up police to respond to other, more urgent calls.

New WFPS Equipment – In 2004, Winnipeg Fire Paramedic Service better equipped its firefighters to respond in dangerous situations. Additional thermal imaging cameras, which will increase rescue capabilities and firefighter safety, were acquired, bringing the total to 13. WFPS also acquired two mobile Hazardous Materials Decontamination Units, so paramedics, firefighters and civilians exposed to dangerous substances at fire scenes, chemical spills and illegal drug labs can be decontaminated at the scene. Two additional ambulances were added to the fleet in September – one as a peak-hours emergency unit and the other as a peak-hours inter-facility transfer unit.

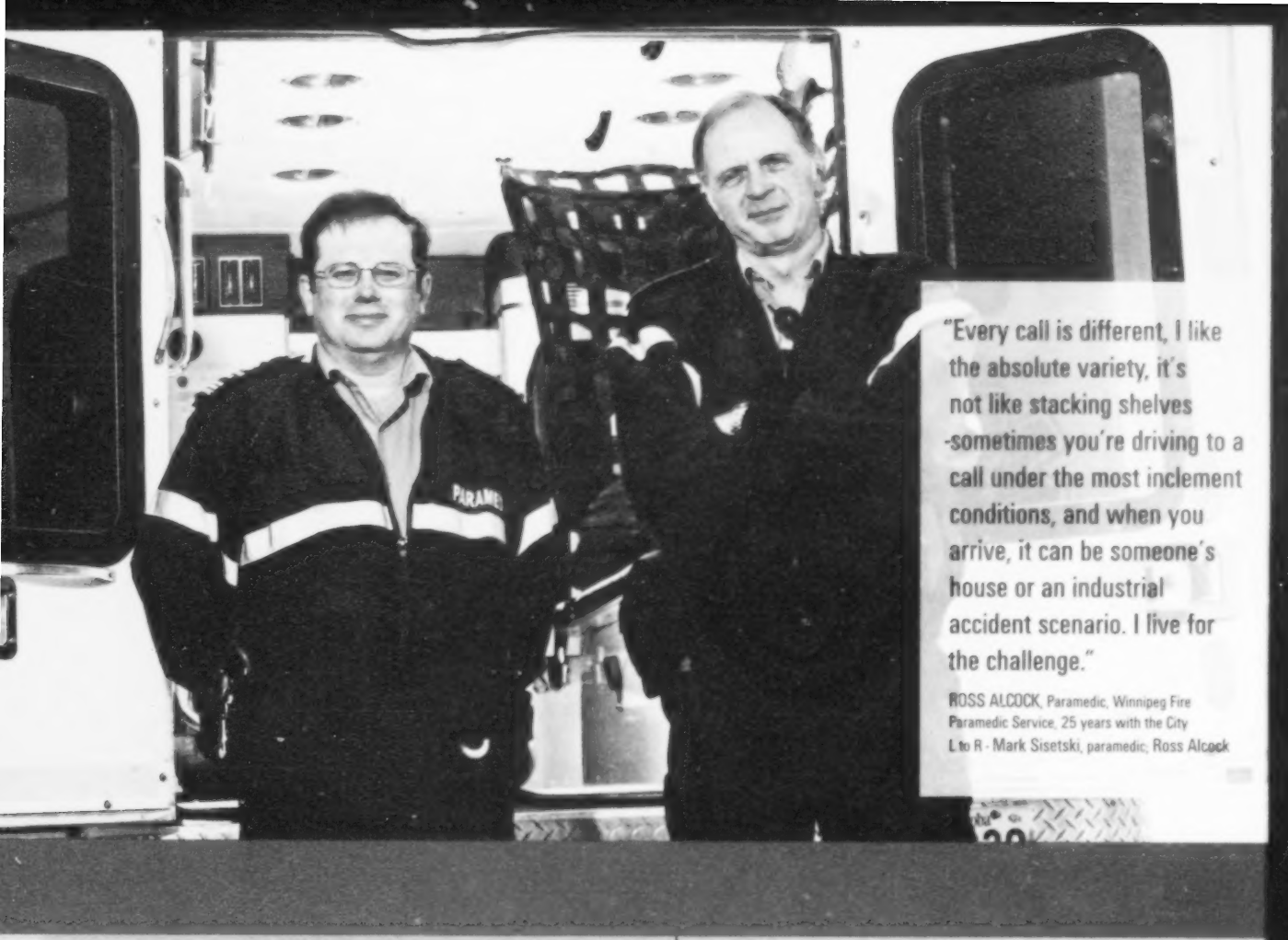
WFPS Calls for Service – In 2004, there were 61,982 calls for ambulance service. Those calls resulted in 46,004 patients being transported. In addition, 1,984 patients were treated on-scene. For fire apparatus, there were 42,595 calls for service. Of those, 22,248 were medical calls.

Computer Aided Dispatch – In April 2004, Winnipeg Police Service (WPS) switched to a new computer aided dispatch and records management system, which provided members of Winnipeg Police Service with the information and tools necessary to serve citizens more effectively and efficiently. WPS invested 3,657 trainings days in helping its members make the transition to the new system. A new call prioritization system was also introduced to provide a risk/threat assessment and to prioritize calls requiring an urgent response.



"Filling potholes is challenging. You just don't jump into the machine and fill them. There's a method to doing it, and practice makes perfect. On an average day, I probably fill 200 potholes, if not more."

JERRY PARSONS, Pothole patcher, Public Works, 18 years with the City



"Every call is different, I like the absolute variety, it's not like stacking shelves -sometimes you're driving to a call under the most inclement conditions, and when you arrive, it can be someone's house or an industrial accident scenario. I live for the challenge."

ROSS ALCOCK, Paramedic, Winnipeg Fire Paramedic Service, 25 years with the City
L to R - Mark Sisetski, paramedic; Ross Alcock

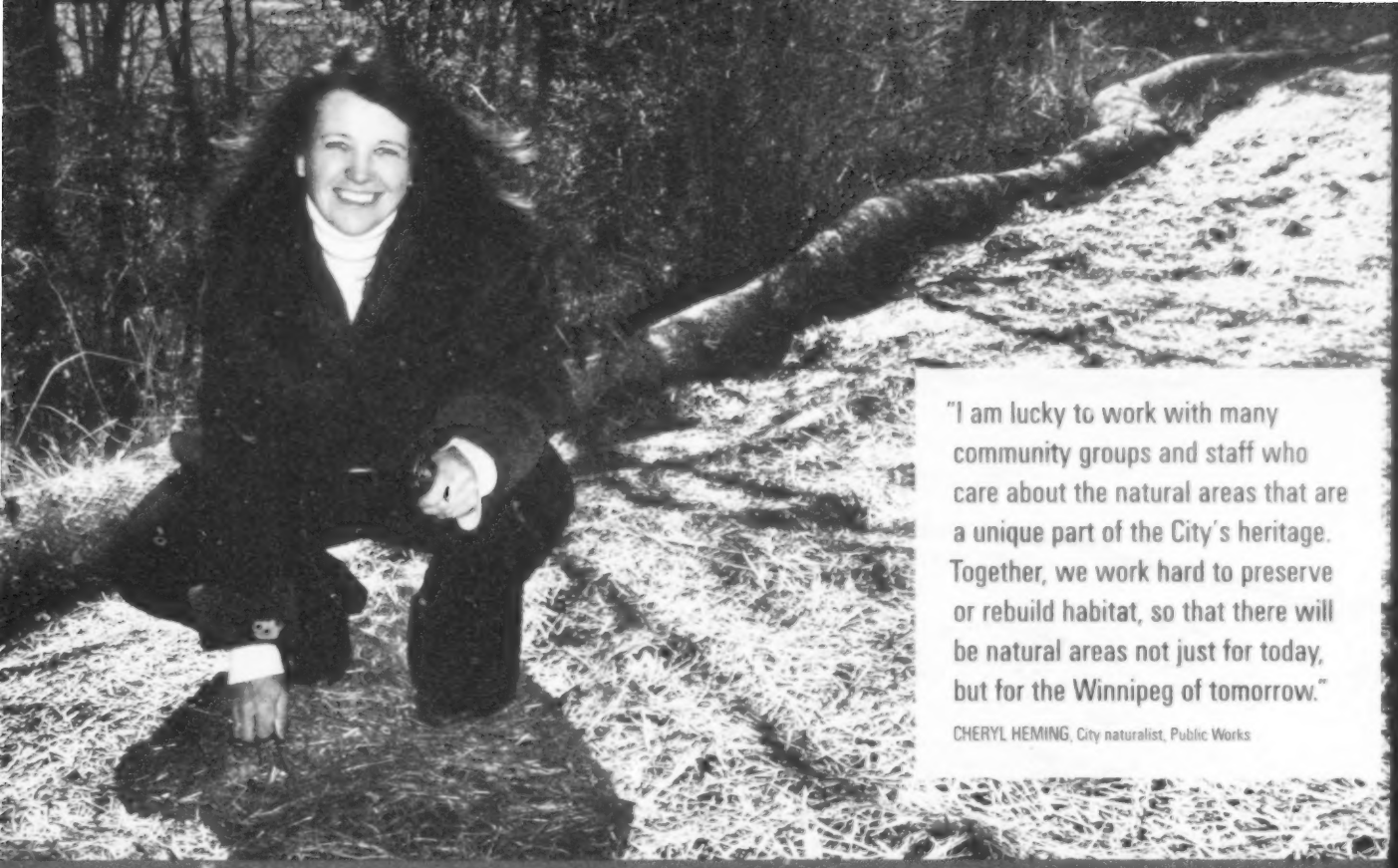
Community Patrol Model – In 2004, Winnipeg Police Service expanded its community patrol model across the city, after successfully running the program in three divisions. It's resulted in continuous seven-day-a-week coverage, beat officers being available to attend community events on weekends and statutory holidays, and division traffic officers taking ownership of traffic-related incidents in their assigned areas.

Traffic Safety – In 2004, Winnipeg Police Service operated five mobile photo radar units and increased the number of intersection safety cameras to 36 in an attempt to cut down on collisions and injuries by reducing red-light running and excessive speeding. This resulted in a reduction of 66% in speeding violations and 65% in red light violations at the original 12 camera locations from 2003 to 2004.

Contractor Safety Process – Changes to Manitoba legislation and the Criminal Code placed significant liability on the City for the actions of contractors working on City property or work places. A process was developed to ensure a consistent approach by all departments with respect to safety activities of contractors on high risk or large projects.

"Who could ask for a better job. It's fun. I get to tell stories, and the kids get so excited, jumping up and down, screaming ... they're happy to be here. That reaction is repeated across the city every week, as local libraries host up to 60 storytimes."

TERRI WIEST, Librarian, Community Services, eight months with the City



"I am lucky to work with many community groups and staff who care about the natural areas that are a unique part of the City's heritage. Together, we work hard to preserve or rebuild habitat, so that there will be natural areas not just for today, but for the Winnipeg of tomorrow."

CHERYL HEMING, City naturalist, Public Works

Enhancing Our Lives

LEISURE AND ENVIRONMENT

Enhancing and protecting both the environment and the quality of life of its citizens is a major priority for the City. New policies and plans were approved in 2004 with a focus on developing greater leisure opportunities for citizens in a healthy, clean environment.

EcoPass Program – In 2004, Winnipeg Transit expanded its EcoPass program to encourage Winnipeggers to leave their vehicles at home. It partnered with 23 major employers (up from 21 in 2003) to provide employer-subsidized bus passes, which give employees a 30% monthly discount. More than 1,200 passes a month were issued in 2004, up from an initial 739 per month.

Assiniboine Park Framework Plan – In July, Council adopted the values in the Assiniboine Park Framework Plan as a policy guide for the long-term direction and management of the 115-hectare park, which celebrated its 100th anniversary in 2004. Together with its community partners (Friends of the Assiniboine Park Conservatory, Partners in the Park and the Zoological Society of Manitoba), the City will, over the next decade, be re-investing in and enhancing what is one of Manitoba's signature destination

parks. Key proposals include a new conservatory, contemporary zoo and revitalized playgrounds, gardens and duck pond areas.

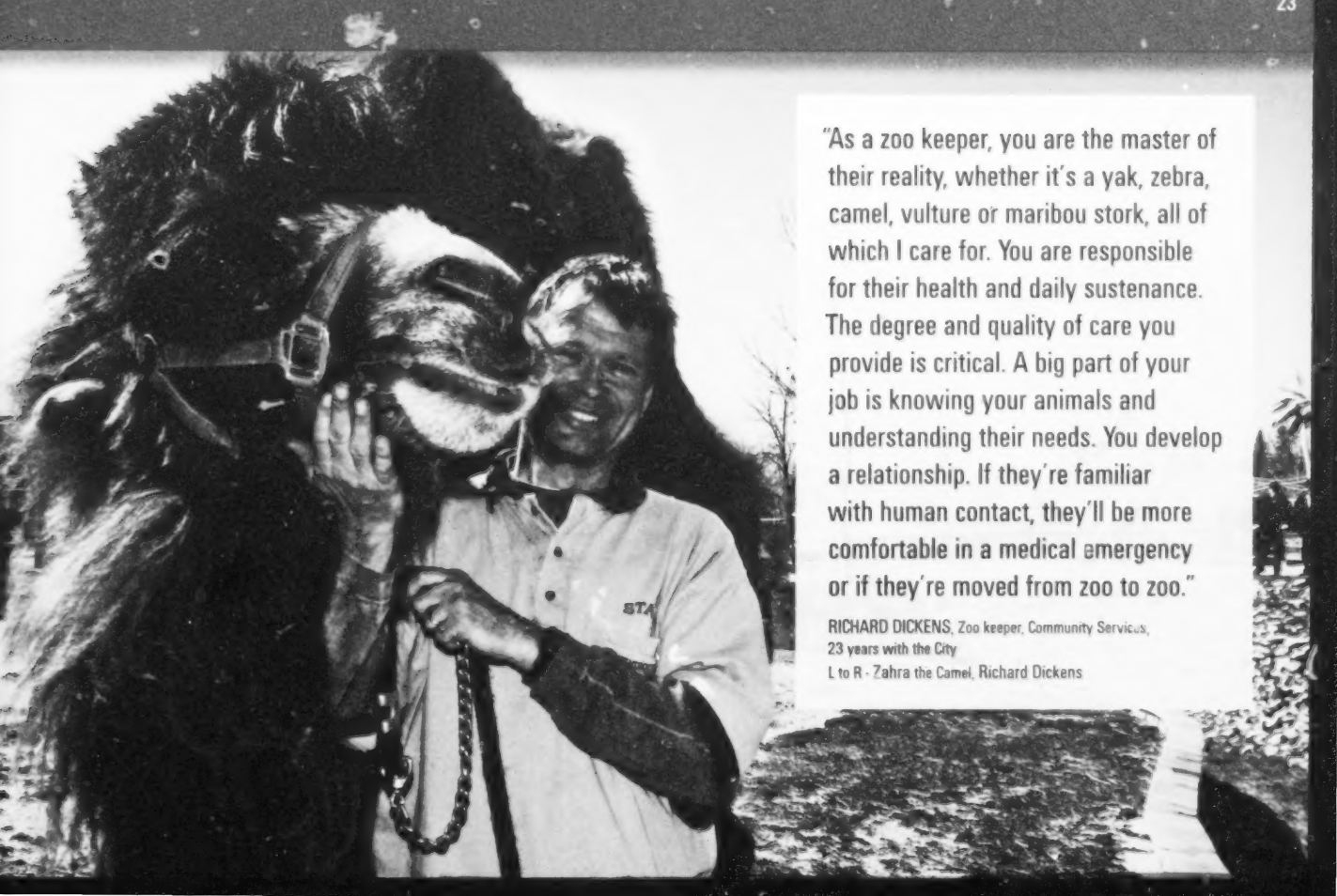
Public Use Facilities Study – In 2004, an independent review of more than 311 City-owned community facilities (arenas, indoor/outdoor pools, community clubs, leisure centres and libraries) provided detailed research and analysis with respect to the demographics being served, programming use and the state of existing infrastructure.

Public Art Policy – In 2004, Council approved a Public Art Policy. The Public Art Program is a collaborative effort between the City and the Winnipeg Arts Council, and together they decide where public art will go, based on such criteria as visibility, accessibility, public safety and maintenance. In 2004, calls went out to artists for proposals for Vimy Ridge Memorial Park and the Millennium Library.

St. James-Assiniboia Centennial Pool Expansion – A $3-million re-investment in our infrastructure and quality of life through the Canada-Manitoba Infrastructure Program resulted in the St. James-Assiniboia Centennial Pool getting an indoor walking/running track and fitness facility with weight training, aerobics and a court area (basketball, badminton and volleyball). The project was geared to meeting the needs of a growing seniors' population, as well as the existing demand for family and child/youth programming.

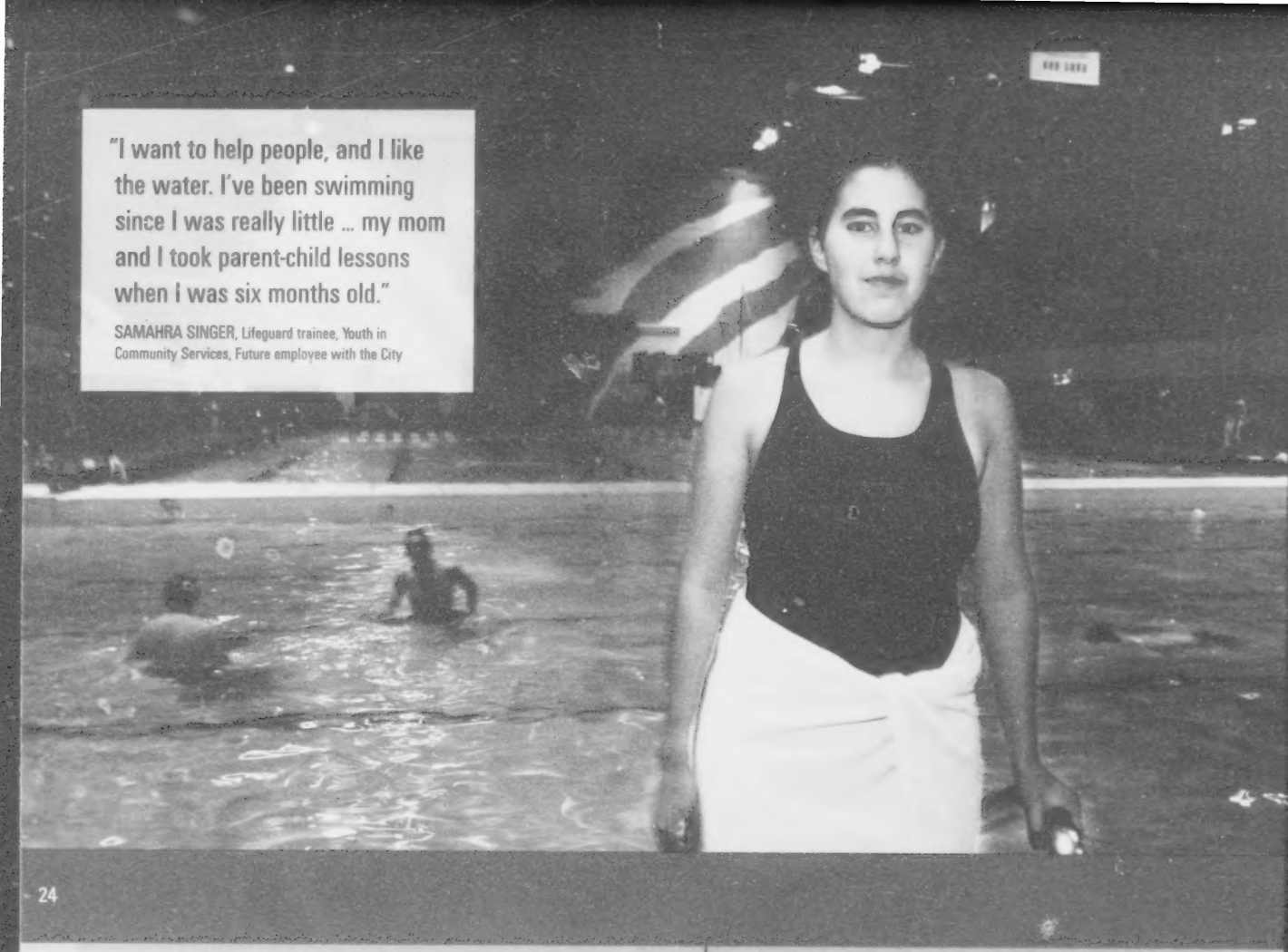
Recycling Highest Ever – As a result of the City making it easier for Winnipeg residents to recycle through not having to sort what goes into their blue boxes, recycling in 2004 increased by 14%. More than 40-million kilograms of newspapers, drink and food containers, household plastics and glass were recycled.

Compost Bins – To encourage citizens to compost, the City and Province sponsored a one-day compost bin sale. All 5,000 units were sold within hours. Winnipeggers now compost 1.2-million kilograms of yard and food waste a year – equivalent to 135 fewer garbage trucks going to the landfill. This helps reduce environmentally harmful methane gas production.



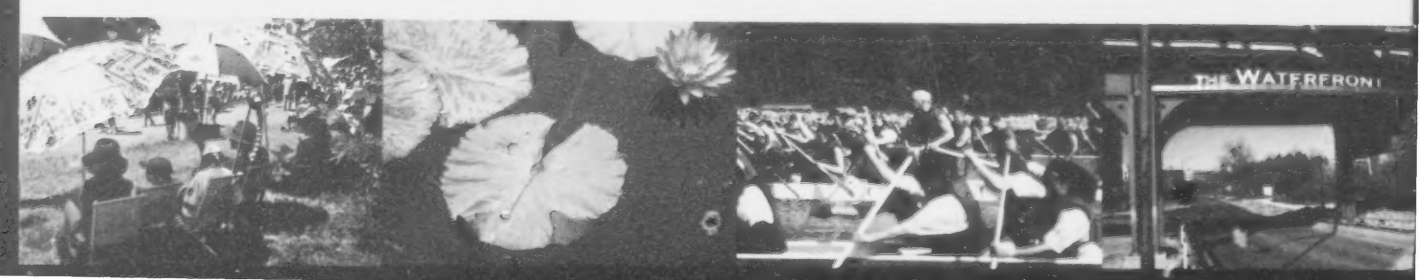
"As a zoo keeper, you are the master of their reality, whether it's a yak, zebra, camel, vulture or maribou stork, all of which I care for. You are responsible for their health and daily sustenance. The degree and quality of care you provide is critical. A big part of your job is knowing your animals and understanding their needs. You develop a relationship. If they're familiar with human contact, they'll be more comfortable in a medical emergency or if they're moved from zoo to zoo."

RICHARD DICKENS, Zoo keeper, Community Services, 23 years with the City
L to R - Zahra the Camel, Richard Dickens


"I want to help people, and I like the water. I've been swimming since I was really little ... my mom and I took parent-child lessons when I was six months old."
SAMAHRA SINGER, Lifeguard trainee, Youth in Community Services, Future employee with the City

Alternate Fuel Technologies – Fleet Management, which is in charge of 1,300 City vehicles, began cold-weather testing the performance of heavy equipment vehicles fueled with biodiesel, a cleaner-burning alternative to diesel. It also began evaluating the drivability and fuel efficiency of two hybrid gas electric vehicles used by the City's mail couriers. Early findings suggest the City could save more than $4,500 per year on gas for these two vehicles alone. Plans are to expand the hybrid evaluation program to include hybrid pickup trucks and SUVs because of the potential cost-savings and environmental impact.

Inventory of Ecologically Sensitive Land – To protect ecologically sensitive plant communities, the City has produced an inventory of 1,000 hectares of natural areas on city land, including tall grass prairie (endangered), river bottom forest (scarce), wetlands, oak forest and aspen forest. This information has been digitized and added as a layer on the city's land based information system.



Consolidated Financial Statements 2004

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

I am pleased to present the City of Winnipeg's 2004 consolidated financial statements, which are prepared in accordance with Canadian general accepted accounting principles. Management has also prepared the following Financial Statement Discussion and Analysis, which comments on the year's impact on the financial resources of the City, and should be read along with the audited financial statements.

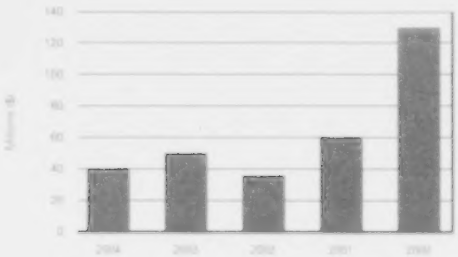
The consolidated financial statements include the assets, liabilities, revenues and expenses of the City's departments, special operating agencies, utilities and corporations that the City owns or controls.

Results of Operations

The Consolidated Statement of Operations and Net Assets reports the City's changes in economic resources, obligations and net assets for 2004, on a comparative basis. The annual excess of revenues over expenses indicates that the revenues raised during the year were sufficient to cover costs.

During the year, the City of Winnipeg recorded revenues of $969.2 million (2003 - $961.4 million) and expenses of $929.6 million (2003 - $911.0 million). This resulted in a $39.6 million (2003 - $50.4 million) increase in net assets. Consolidated revenues increased by $7.8 million in 2004 from 2003, due mainly to an increase in sales of services and regulatory fees. Sales of services and regulatory fees include water and sewage services, transit fares and police fines, to name a few. The increase was generated partially by transit and emergency medical service revenue increases, as well as improved recyclable sales due to a higher tonnage of sales.

Consolidated Excess of Revenues over Expenses



Consolidated expenses grew by $18.6 million from the previous year. This is made up of increases and decreases to various expense categories. The major increase resulted from an additional $14.7 million spent on protection and community services operations. Included in the protection and community service category are Police Service, Fire Paramedic Service and Community Services. During 2004, these departments experienced wage increases resulting from negotiated labour settlements and an increased staff complement.

The General Revenue Fund reports on property tax-supported operations. These operations include services such as police, fire, recreation, library, street maintenance and other general government activities. These services are 57% funded by property tax revenues (2003 - 57%).

The budget for the property tax-supported operations was adopted by City Council on March 23, 2004. During the budget process, the City faced several challenges to produce a balanced budget with no tax increase, including wage pressures, general price increases, and infrastructure maintenance and renewal requirements. The result was another approved budget with no increase to property taxes following seven years of reductions and freezes. Within the budget, funding for public safety remained a priority, as did continued fiscal restraint. The business tax rate remained at its 1996 level of 9.75%, while frontline essential services were maintained. Effective Feb. 1, 2004, the Federal Government provided a full rebate of the Goods and Services Tax. The overall benefit received by the City during 2004 totalled $7 million.

During 2004, several unexpected events occurred that impacted the property tax-supported operation's financial results. The City experienced high snowfall levels, lower photo enforcement revenues and higher police services costs largely caused by overtime. These issues were

identified early in the year, which allowed City Council and the Administration to initiate a discretionary spending freeze as well as transferring funding from the Snow Clearing Reserve. At the end of the year, $6.1 million was transferred from the Snow Clearing Reserve leaving a remaining balance of $3.3 million in the reserve. This contributed to a balanced General Revenue Fund at year end.

Financial Position

The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and net assets as at Dec. 31, 2004, on a comparative basis. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments. An important indicator on the Statement of Financial Position is the City's net financial assets (liabilities) position. This indicator is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at Dec. 31, 2004, the City was in a net financial asset position of $12.4 million (2003 - net financial liabilities $46.9 million), or a net change of $59.3 million. The improved position is comprised of various positive elements including net revenues over expenses during the year of $39.6 million.

Debt Management

During March 2004, the City refinanced $46.4 million of debentures at 4.07%, which related to a sinking fund debenture that matured in 2003 and had carried an interest rate of 8.50%. In addition, a sinking fund debenture originally issued in 1991 for $32.9 million at a rate of 10.00% matured in 2004 and repayment in full was made from the Sinking Fund.

On Nov. 4, 2004, Moody's Investors Service advised the City that its credit rating would be maintained at Aa2. Moody's reported "that over the past several years, the City has undertaken significant restructuring to restore fiscal stability. These efforts have generated a series of consolidated surpluses and increases in reserves, which are now equivalent to 44% of operating revenue or 75% of net direct debt."

On Dec. 22, 2004, Standard & Poor's maintained the City's credit rating at AA.

Beginning in 1998, the City adopted a policy of not issuing new tax-supported debt. Under its current capital plan, all new tax-supported projects are financed internally. As a result, the level of tax-supported debt decreased by $171.4 million from 1998, and is expected to decrease continuously over the next few years along with the associated debt-servicing costs. Within the utilities, the City anticipates issuing $102.0 million in debt over the next few years to finance a water treatment plant estimated to cost $227.3 million. The Water Treatment Reserve, which was established on Dec. 17, 1993, has a balance at Dec. 31, 2004 of $93.2 million. It is anticipated this Reserve will fund a significant percentage of the cost for this project.

In addition, the 2005 utilities capital budget includes $157.6 million in debt over the next six-year period to fund projects mandated by the Province of Manitoba through the Clean Environment Commission (CEC). During 2003, the CEC, at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's 50-year wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25-year period, which is estimated to cost $900 million. Partial funding for these improvements will be provided by the Environmental Projects Reserve, which has a balance at Dec. 31, 2004, of $51.2 million.

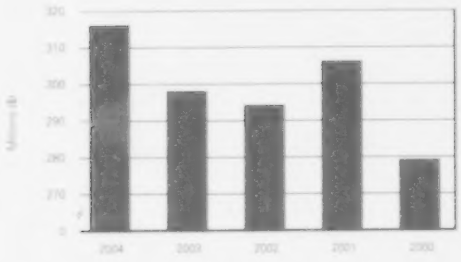
Capital Expenditures

During 2004, the City spent $143.3 million on capital projects (2003 - $164.4 million), which included $91.4 million for tax-supported projects. The $91.4 million was invested primarily in regional and residential streets, the Millennium Library, completion of the Provencher Bridge and the Police Automated Records and Communication System. Capital project costs were financed from several sources, with funding primarily from the City's current tax levies, various capital reserves and grants from other levels of governments.

Reserves

The City of Winnipeg builds reserves to meet specific future operating and capital expense requirements, and to provide for contingencies. Reserve balances have increased by $18.6 million overall from the prior year. The City's Capital Reserves grew by $26.9 million. In particular, the Water Treatment Reserve grew by $14.1 million, while the Environmental Projects Reserve increased by $12.1 million.

Reserves



The Capital Reserves were established to finance current and anticipated future capital projects, which reduce or eliminate the need to issue debt. Special Purpose Reserves, which were established to account for the use of designated revenue for specific purposes such as a Snow Clearing Reserve, declined by $10.1 million.

Stabilization Reserves were created to offset the effect of major unexpected expenses in the current operations of the City or fund deficits recorded in the property tax-supported operating budget. During 2004, these Reserves increased by $1.7 million and are anticipated to grow until they reach a targeted level of 10% of the property tax-supported adopted budget expenses.

Debt Management Policy

Recently Council adopted The City of Winnipeg Debt Management Policy. The City recognized that the foundation of any well-managed debt program is a comprehensive debt policy. This Policy sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to decision makers regarding the timing and purposes for which debt may be issued and the types of debt and structural features that may be incorporated.

Financing Infrastructure

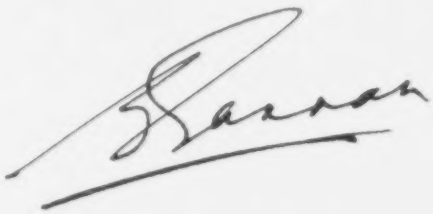
As with other municipalities in North America, the City of Winnipeg is experiencing a steady decline in the condition of its infrastructure. The City undertook a comprehensive review of its infrastructure and found that there is a considerable deferred maintenance component of the infrastructure that will require future consideration. To address deferred maintenance, the City is seeking new funding mechanisms that involve other levels of government.

Looking Forward

On March 22, 2005, City Council approved the 2005 operating budget and the 2006 projected operating budget was approved in principle. The 2005 mill rate remained fixed at the 2002 level, the business tax rate for 2005 was set at 7.75% for the downtown geographic area, while being frozen at the 1996 level for areas outside the downtown.

In addition, the Federal government announced a program to assist municipalities to fund improvements to infrastructure.

In closing, I would like to thank all those who contributed to the preparation of the financial statements.



Robert P. Gannon, Chief Financial Officer

Responsibility for Financial Reporting

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of Winnipeg. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee - the Mayor, the Deputy Mayor, and the chairpersons of Council's Standing Committees. In addition, the Audit Committee meets periodically with management and with both the City's internal and external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to external and internal auditors.

Ernst & Young LLP, Chartered Accountants, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian generally accepted accounting principles.

Robert P. Gannon, Chief Financial Officer

Auditors' Report

To the Mayor and Members of City Council of
The City of Winnipeg

We have audited the consolidated statement of financial position of The City of Winnipeg as at December 31, 2004 and the consolidated statements of operations and net assets, cash flows and change in net financial assets for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The City of Winnipeg as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
April 6, 2005

Chartered Accountants

Consolidated Statement of Financial Position

As at December 31 (in thousands of dollars)

	2004	2003
Financial Assets		
Cash and short-term investments	$ 551,697	$ 361,951
Accounts receivable (Note 3)	142,541	130,207
Investments (Note 4)	368,019	365,890
	1,062,257	858,048
Liabilities		
Notes payable (Note 5)	250,777	113,874
Accounts payable and accrued liabilities (Note 6)	129,939	127,979
Deferred revenue	9,408	8,373
	390,124	250,226
Debt (Note 7)	494,840	494,672
Other liabilities (Note 8)	47,760	47,114
Retirement allowance, vacation and other liabilities (Note 9)	117,091	112,910
	1,049,815	904,922
Net Financial Assets (Liabilities)	12,442	(46,874)
Non-financial Assets		
Tangible capital assets (Note 10)	903,714	925,929
Inventories	13,699	10,372
Prepaid expenses	2,884	3,571
Deferred charges	1,025	1,187
	921,322	941,059
Net Assets	$ 933,764	$ 894,185
Commitments and contingencies (Notes 11, 14 and 18)		
Comprised of:		
Surplus (Note 12)	$ 617,296	$ 596,284
Reserves (Note 13)	316,468	297,901
	$ 933,764	$ 894,185

See accompanying notes to the consolidated financial statements

Approved on behalf of the Audit Committee:

Sam Katz – Mayor

Bill Clement – Chairperson, Fiscal Issues Committee

Consolidated Statement of Operations and Net Assets

For the years ended December 31 (in thousands of dollars)

	2004	2003
REVENUES		
Taxation (Note 14)	$ 491,698	$ 489,996
Sales of services and regulatory fees (Note 15)	328,206	318,605
Government grants and transfers (Note 16)	94,100	97,082
Interest	44,638	45,504
Land sales and other revenue	10,508	10,242
Total Revenues	969,150	961,429
EXPENSES (Note 17)		
Protection and community services	298,484	283,803
Utility operations	217,171	218,246
Public works	213,944	205,278
Finance and administration	58,786	55,916
General government	56,458	64,486
Property and development	53,514	53,419
Civic corporations	31,214	29,855
Total Expenses	929,571	911,003
Excess Revenues Over Expenses	39,579	50,426
NET ASSETS, BEGINNING OF YEAR	894,185	843,759
NET ASSETS, END OF YEAR	$ 933,764	$ 894,185

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

For the years ended December 31 (in thousands of dollars)

	2004	2003
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Operating		
Excess Revenues Over Expenses	$ 39,579	$ 50,426
Non-cash charges to operations		
Amortization	76,214	77,456
Other	6,046	17,843
Working capital from operations	121,839	145,725
Net change in working capital other than cash assets	(11,979)	(40,471)
Cash provided by operating transactions	109,860	105,254
Capital		
Acquisition of tangible capital assets (Note 10)	(96,920)	(109,890)
Government of Canada capital grants	6,089	5,435
Province of Manitoba capital grants	35,974	27,352
	(54,857)	(77,103)
Financing		
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(9,208)	(10,790)
Debenture and serial debt retired	(49,216)	(214,212)
Sinking fund investments applied to debt redemption	32,985	155,451
Sinking fund debenture installments	(17,899)	(27,274)
Serial debt issued	46,392	97,180
Other	(3,470)	(1,970)
	(416)	(1,615)
Investing		
Purchase of investments	(1,744)	(6,590)
Increase in cash assets	52,843	19,946
Cash Assets, Beginning of Year	248,077	228,131
Cash Assets, End of Year	$ 300,920	$ 248,077
Components of Cash Assets		
Cash and short-term investments	$ 551,697	$ 361,951
Notes payable	(250,777)	(113,874)
	$ 300,920	$ 248,077

See accompanying notes to the consolidated financial statements

Consolidated Statement of Change in Net Financial Assets (Liabilities)

For the years ended December 31 (in thousands of dollars)

	2004	2003
Excess Revenues Over Expenses	$ 39,579	$ 50,426
Amortization of tangible capital assets	76,214	77,456
Province of Manitoba grants for capital asset purchases	35,974	27,352
Government of Canada grants for capital asset purchases	6,089	5,435
Change in other non-financial assets	(1,620)	1,037
Acquisition of tangible capital assets (Note 10)	(96,920)	(109,890)
Increase In Net Financial Assets	59,316	51,816
Net Financial Liabilities, Beginning of Year	(46,874)	(98,690)
Net Financial Assets (Liabilities), End of Year	$ 12,442	$ (46,874)

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

As at December 31, 2004 (in thousands of dollars, except as noted)

1. Status of The City of Winnipeg

The City of Winnipeg ("the City") is a municipality which was created on January 1, 1972 pursuant to **The City of Winnipeg Act**, a statute of the Legislature of the Province of Manitoba ("the Province"). The City continued as a body corporate by virtue of the enactment by the Province of **The City of Winnipeg Charter** on January 1, 2003. The City provides municipal services such as police, fire, ambulance, public works, urban planning, parks and recreation, library and other general government operations. The City owns and operates a number of public utilities, has several designated special purpose reserves and provides funding support for other financial entities involved in economic development, recreation, entertainment, convention, tourism and housing activities.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows:

a) Consolidation principles and basis of presentation

The consolidated financial statements of the City include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon ownership or control exercised by the City. Interfund and intercorporate balances and transactions have been eliminated except for amounts related to services offered commercially including utility charges. In 2004, one new fund (*) was added.

The consolidated financial statements include the following:

Capital Reserves:
- Watermain Renewal Reserve
- Combined Sewer Renewal Reserve
- Wastewater Sewer Renewal Reserve
- Water Treatment Reserve
- Environmental Projects Reserve
- Brady Landfill Site Rehabilitation Reserve
- Golf Course Reserve
- Library Reserve
- Transit Bus Replacement Reserve
- Concession Equipment Replacement Reserve
- Computer Replacement Reserve
- Aqueduct Rehabilitation Reserve

Special Purpose Reserves:
- Workers Compensation Reserve
- Perpetual Maintenance Fund – Brookside Cemetery
- Perpetual Maintenance Fund – St. Vital Cemetery
- Perpetual Maintenance Fund – Transcona Cemetery
- Insurance Reserve
- Contributions in Lieu of Land Dedication Reserve

Special Purpose Reserves: (continued)
- Land Operating Reserve
- Recreation Programming Reserve
- Snow Clearing Reserve
- Idea Bank Reserve
- Commitment Reserve
- Heritage Investment Reserve
- Housing Rehabilitation Investment Reserve
- Economic Development Investment Reserve
- Assiniboine Park Enterprises Reserve
- General Purpose Reserve
- Multi-Family Dwelling Tax Investment Reserve*

Stabilization Reserves:
- Fiscal Stabilization Reserve
- Mill Rate Stabilization Reserve

Other Funds:
- Capital Fund
- General Revenue Fund
- General Revenue Enterprises Fund
- Equity in Capital Assets

Other Funds: (continued)
- Transit System
- Waterworks System
- Sewage Disposal System
- Solid Waste Disposal System
- Equipment and Material Services
- Civic Accommodations Fund
- Building Services Fund
- Animal Services – Special Operating Agency
- Glacial Sand and Gravel – Special Operating Agency
- Golf Services – Special Operating Agency
- Fleet Management – Special Operating Agency

Other Entities:
- Winnipeg Public Library Board
- The Convention Centre Corporation
- Destination Winnipeg Inc.
- Winnipeg Enterprises Corporation (May 31st Year End)
- Winnipeg Housing Rehabilitation Corporation (March 31st Year End)
- CentreVenture Development Corporation

The employees' pension and group life insurance funds of the City are administered on behalf of the pension and group life insurance plan participants by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program (Pension Fund) for the payment of pensions and life insurance benefits and accordingly are not included in the consolidated financial statements. In addition, certain trust funds administered by the City, amounting to $0.3 million (2003 – $0.2 million), are not included in the consolidated statement of financial position nor have their operations been included in the consolidated statements of operations and change in net financial assets/liabilities.

Separate financial statements for each of the above-noted entities, including the pension, group life insurance and trust funds, are included in the 2004 Detailed Financial Statements Report, a companion document to the City's 2004 Annual Report and Consolidated Financial Statements.

2. Summary of Significant Accounting Policies (continued)

b) Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

c) School taxes

The City is required by **The Public Schools Act** to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of school boards are not reflected in these consolidated financial statements.

d) Short-term investments

Short-term investments consist of bankers' acceptance and term deposits and are recorded at cost, which approximates their quoted market value. These investments have varying maturities up to March 31, 2005, and have an effective average interest rate of 2.6% (2003 – 2.7%).

e) Investments

Bonds and debentures are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

Bond residues and coupons are carried at cost, plus accrued interest. Interest is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

f) Assessment appeal costs

The City accrues a liability to reflect the amount of future payments related to the assessment period, net of certain assessments, which will be deferred and amortized over the balance of the reassessment period.

g) Solid waste landfills

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites' capacity is used.

h) Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance with environmental legislation and costs can be reasonably determined. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

i) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

j) Employee benefit plans

The costs of pensions and other retirement benefits are actuarially determined using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period.

2. Summary of Significant Accounting Policies (continued)

k) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets/Liabilities for the year.

i) Tangible capital assets

Tangible capital assets, including land, financed by debt are initially recorded at cost and amortized in the consolidated statement of operations and net assets at an amount equal to the principal repayments of the debt. Other, generally smaller, acquired tangible capital assets are budgeted for and charged to expenses in the consolidated statement of operations and net assets. Assets financed by debentures that are retired prior to maturity are amortized over the remaining expected useful life of the asset.

Commencing in 2004, tangible capital assets of the Sewage Disposal System Fund are recorded at cost and amortized over their expected useful life. Commencing in 2003, tangible capital assets of the Waterworks System Fund were recorded at cost and amortized over their expected useful life. Prior to these changes, these assets were expensed based on the funding arrangements. These changes have been applied prospectively.

Cost includes certain interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the tangible capital asset.

ii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. Tangible capital assets acquired under a capital lease are recorded at the amount of the related obligation. These capital leases are amortized based upon the principal portion of the capital lease payments in the consolidated statement of operations and net assets. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iii) Inventories

Inventories are recorded at the lower of cost and replacement cost.

iv) Other deferred charges

The cost of certain initiatives that are long-term in nature and/or provide future economic or operational benefits to the City are deferred and amortized over the future periods to which they relate.

l) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

3. Accounts Receivable

	2004	2003
Property, payments-in-lieu and business taxes receivable	$ 40,436	$ 42,761
Allowance for property, payments-in-lieu and business tax arrears	(6,394)	(5,056)
	34,042	37,705
Trade accounts and other receivables	65,731	64,222
Province of Manitoba	40,222	28,397
Government of Canada	5,435	2,410
Allowance for doubtful accounts	(2,889)	(2,527)
	108,499	92,502
	$ 142,541	$ 130,207

4. Investments

	2004	2003
Marketable securities		
Provincial bonds, bond residues and coupons	$ 58,877	$ 48,237
Government of Canada bonds, bond residues, coupons and treasury bills	40,552	40,329
Other	3,000	3,000
	102,429	91,566
Manitoba Hydro long-term receivable	262,772	271,483
Other investments	2,818	2,841
	$ 368,019	$ 365,890

The aggregate market value of marketable securities at December 31, 2004 is $105.7 million (2003 – $95.3 million).

On February 27, 2002, City Council approved Manitoba Hydro's ("Hydro") proposal to purchase Winnipeg Hydro. The terms of the proposal included annual payments to the City of $25 million per annum commencing in 2002 and for the next four years thereafter; $20 million per annum for years six to nine; and $16 million for years ten in perpetuity.

The Manitoba Hydro investment represents the sum of the discounted future cash flows of the above annual payments to the City discounted at the City's 2002 average long-term borrowing rate of 6%.

5. Notes Payable

	2004	2003
Winnipeg Civic Employees' Benefits Program (Pension Fund)	$ 157,752	$ 91,939
The Sinking Fund Trustees of The City of Winnipeg	64,702	1,851
Winnipeg Police Pension Plan	26,822	16,410
Civic Employees' Group Life Insurance Plan	1,499	3,670
Council Members' (Pre-1972) Pension Plan	2	4
	$ 250,777	$ 113,874

The City finances short-term borrowing requirements from various entities at market rates of interest, which have an effective average interest rate of 2.2% (2003 – 2.7%). These notes are callable by the issuers.

6. Accounts Payable and Accrued Liabilities

	2004	2003
Accrued liabilities	$ 76,397	$ 73,188
Trade accounts payable	39,332	39,803
Accrued interest payable	14,210	14,988
	$ 129,939	$ 127,979

7. Debt

SINKING FUND DEBENTURES OUTSTANDING

Term	Maturity Date	Rate of Interest	Series	By-Law No.	2004	2003
1991-2004	Nov. 1	10.000	VL	5779/91	$ –	$ 32,985
1990-2005	Oct. 1	11.700	VI	5507/90	66,424	66,424
1999-2009	Feb. 2	5.350	VV	7368/99	50,000	50,000
1989-2009	Dec. 14	10.000	VH	5286/89	85,500	85,500
1993-2013	Feb. 11	9.375	VN	6090/93	90,000	90,000
1994-2014	Jan. 20	8.000	VQ	6300/94	85,000	85,000
1995-2015	May 12	9.125	VR	6620/95	88,000	88,000
1997-2017	Nov. 17	6.250	VU	7000/97	30,000	30,000
					494,924	527,909
Equity in Sinking Fund					(239,831)	(245,709)
Net sinking fund debentures outstanding					255,093	282,200

OTHER DEBT OUTSTANDING

Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.79% (2003 – 5.37%)	173,594	143,433
Mortgages and bank loans incurred primarily by Winnipeg Enterprises Corporation and Winnipeg Housing Rehabilitation Corporation with varying maturities up to 2021 and a weighted average interest rate of 8.59% (2003 – 8.58%)	41,451	43,120
Capital lease obligations (Note 7c)	24,702	25,919
	$ 494,840	$ 494,672

Debt to be retired over the next five years:

	2005	2006	2007	2008	2009	2010+
Sinking fund debentures	$ 66,424	$ –	$ –	$ –	$ 135,500	$ 293,000
Other debt	23,332	24,415	35,454	16,669	17,747	122,130
	$ 89,756	$ 24,415	$ 35,454	$ 16,669	$ 153,247	$ 415,130

a) Sinking fund assets have a market value of $262.2 million (2003 – $271.2 million). Sinking fund assets are comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of $116.7 million (2003 – $81.3 million) and a market value of $120.4 million (2003 – $87.7 million).

7. Debt (continued)

b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Future sinking fund arrangements will be managed by the City. The City is currently paying 3% or greater to The Sinking Fund on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

Sinking fund debenture issues provide for full sinking fund at maturity except for the following debenture which, as a result of the levies being provided and the terms of the issue, will have a sinking fund deficiency requiring the issue to be refinanced at maturity.

Year of Maturity	Debenture By-Law	Issued Amount	Maturity Shortfall
2009	7368/99	$ 50,000	$ 30,981

c) Future minimum lease payments under the capital leases together with the balance of the obligation due under the capital leases are as follows:

	Capital Leases
2005	$ 3,323
2006	3,299
2007	3,707
2008	3,275
2009	3,378
Thereafter	33,679
Total future minimum lease payments	50,661
Amount representing interest at a weighted average rate of 9.40%	(25,959)
Capital lease liability	$ 24,702

d) Certain City of Winnipeg debentures are held as investments in the two pension plans for the employees of the City, as follows:

	2004	2003
Winnipeg Civic Employees' Benefits Program (Pension Fund)	$ 19,000	$ 32,275
Winnipeg Police Pension Plan	4,000	4,000
	$ 23,000	$ 36,275

e) Interest on debt recorded in the Statement of Operations in 2004 is $60.2 million (2003 – $65.4 million).

f) Cash paid for interest during the year is $60.9 million (2003 – $72.9 million).

8. Other Liabilities

	2004	2003
Deferred:		
Other deferred liabilities	$ 21,933	$ 24,020
Developer deposits	8,314	7,455
Development agreement paybacks	6,513	4,639
	36,760	36,114
Environmental liabilities (Note 18)	11,000	11,000
	$ 47,760	$ 47,114

Included in environmental liabilities is $10.1 million (2003 – $10.6 million) of the estimated total landfill closure and post closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for closure and post closure care activities discounted at the City's average long-term borrowing rate of 6.0%.

8. Other Liabilities (continued)

Landfill closure and post closure care requirements have been defined in accordance with the **Environmental Act** and include final covering and landscaping of the landfill, pumping of ground, methane gas and leachate management, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 100-year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated remaining capacity of the City's one remaining landfill, the Brady Landfill Site, is 97% of its total estimated capacity and its estimated remaining life is 100 years, after which perpetual post closure maintenance is estimated.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2004, the reserve had a balance of $1.8 million (2003 – $1.6 million).

9. Retirement Allowance, Vacation and Other Liabilities

	2004	2003
Retirement allowance – accrued obligation	$ 75,328	$ 72,963
Unamortized net actuarial loss	(5,545)	(4,745)
Retirement allowance – accrued liability	69,783	68,218
Vacation	38,315	36,478
Other	8,993	8,214
Retirement allowance, vacation and other liabilities	117,091	112,910
Accrued liabilities recorded in the Funds' financial statements	(5,479)	(5,185)
Unfunded retirement allowance, vacation and other liabilities (Note 12)	$ 111,612	$ 107,725

Under the retirement allowance plan (including certain sick leave credits) for the majority of employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). This liability was actuarially calculated as at December 31, 2004. The liability excludes net actuarial losses amortized on a straight-line basis over 11.2 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

10. Tangible Capital Assets

	2004	2003
Tax-supported municipal structures, facilities and initiatives		
Streets and bridges	$ 332,408	$ 332,544
Core area initiative and other special projects	147,114	164,252
Civic accommodations, equipment and other property	113,496	108,123
Land drainage sewers	53,861	57,593
Culture and recreation facilities	53,453	57,665
Public transportation vehicles and facilities	28,493	24,974
Protection facilities	26,631	28,346
Health and social development facilities	4,549	5,167
Local improvements	3,973	3,734
	763,978	782,398
Self-supporting entities		
Sewage collection, treatment and disposal facilities	82,766	88,757
Water supply and distribution facilities	50,679	48,032
Solid waste collection and disposal facilities	6,291	6,742
	139,736	143,531
	$ 903,714	$ 925,929

Capital assets are stated at cost less accumulated amortization. Accumulated amortization at December 31, 2004 is $1,167.9 million (2003 – $1,090.5 million).

Gross tangible capital acquisitions during the year was $143.3 million (2003 – $164.4 million), which was reduced by $46.4 million (2003 – $54.5 million) of internal financing from Reserves and Surpluses.

11. Commitments and Contingencies

The following significant commitments and contingencies existed at December 31, 2004:

a) The City has entered into a number of lease agreements mainly for the lease of accommodations for civic offices and office equipment. Future minimum lease payments totalling $16.9 million are as follows:

	Operating Leases
2005	$ 4,346
2006	3,892
2007	3,214
2008	2,333
2009	943
Thereafter	2,241
	$ 16,969

b) The City is a defendant in four significant lawsuits as at December 31, 2004. At this time the ultimate liability is not determinable. Other contingent liabilities consisting of routine claims for street and sidewalk accidents, property damage, etc. will be accounted for as revenue or expense in the period which the settlement occurs.

c) The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2004 is $7.8 million (2003 – $8.0 million).

12. Surplus

Consolidated surplus consists of the following individual fund surpluses/(deficits):

	2004	2003
Appropriated		
Equity in Capital Assets	$ 335,267	$ 305,951
Sewage Disposal System	40,181	23,870
Waterworks System	9,967	7,359
General Capital Fund	1,293	1,247
	386,708	338,427
Unappropriated		
Unamortized gain on Winnipeg Hydro	262,772	271,483
Waterworks System	28,502	27,779
Fleet Management – Special Operating Agency	25,320	19,265
Solid Waste Disposal	12,462	12,626
CentreVenture Development Corporation	9,869	9,222
Sewage Disposal System	6,528	24,029
General Revenue Enterprises Fund	5,445	4,447
The Sinking Fund Trustees of The City of Winnipeg	2,135	5,144
Equipment and Material Services	806	2,643
Other	(639)	(56)
	353,200	376,582
Unfunded		
Environmental liabilities (Note 8)	(11,000)	(11,000)
Retirement allowance, vacation and other liabilities (Note 9)	(111,612)	(107,725)
	(122,612)	(118,725)
	$ 617,296	$ 596,284

The consolidated surplus represents the City's combined operating and capital fund balances. Separate disclosure of the operating and capital funds has not been presented as this information is not readily available.

Equity in Tangible Capital Assets is included in Net Assets which are determined as follows:

	2004	2003
Non-financial assets	$ 921,322	$ 941,059
Debt (Note 7)	(494,840)	(494,672)
	426,482	446,387
Other surplus and reserve balances	507,282	447,798
Net Assets	$ 933,764	$ 894,185

13. Reserves

Consolidated reserves consist of the following restricted reserves:

	2004	2003
Capital Reserves:		
Water Treatment Reserve	$ 93,191	$ 79,073
Environmental Projects Reserve	51,230	39,175
Combined Sewer Renewal Reserve	25,132	21,917
Watermain Renewal Reserve	2,005	1,391
Brady Landfill Site Rehabilitation Reserve	1,845	1,576
Library Reserve	1,821	3,199
Golf Course Reserve	1,714	1,683
Computer Replacement Reserve	1,092	1,143
Aqueduct Rehabilitation Reserve	857	1,949
Other	703	551
Transit Bus Replacement Reserve	89	1,147
	179,679	152,804
Special Purpose Reserves:		
General Purpose Reserve	14,060	16,923
Perpetual Maintenance Fund – Brookside Cemetery	9,523	9,282
Heritage Investment Reserve	8,888	8,723
Insurance Reserve	6,721	7,145
Workers Compensation Reserve	6,146	5,605
Land Operating Reserve	5,920	6,697
Economic Development Investment Reserve	5,474	5,608
Commitment Reserve	4,174	5,247
Snow Clearing Reserve	3,272	9,161
Contributions in Lieu of Land Dedication Reserve	2,914	2,405
Other	1,494	1,191
Idea Bank Reserve	1,336	1,497
Assiniboine Park Enterprises Reserve	1,164	1,031
Housing Rehabilitation Investment Reserve	1,138	1,849
	72,224	82,364
Stabilization Reserves:		
Fiscal Stabilization Reserve	34,712	34,246
Mill Rate Stabilization Reserve	27,613	26,342
	62,325	60,588
Other Reserves	2,240	2,145
	$ 316,468	$ 297,901

The change during the year to the Reserves is the result of the following:

	2004	2003
Taxation revenue	$ 27,728	$ 28,383
Interest revenue	8,992	11,105
Other revenue	8,576	7,467
Expended from the Reserves	(12,236)	(15,570)
Net transfer to the operating and capital funds	(14,493)	(27,155)
	$ 18,567	$ 4,230

14. Taxation

	2004	2003
Municipal and school property taxes	$ 779,677	$ 760,145
Payments-in-lieu of property (municipal and school) and business taxes	44,117	47,643
	823,794	807,788
Payments to Province and school divisions	(439,062)	(425,053)
Net property taxes and payments-in-lieu of property and business taxes available for municipal purposes	384,732	382,735
Business tax and licence-in-lieu of business tax	60,891	60,853
Local improvement and frontage levies	27,479	28,365
Electricity and gas sales taxes	15,402	15,240
Amusement tax and mobile home licence	3,194	2,803
	$ 491,698	$ 489,996

The property tax roll includes school taxes of $413.5 million (2003 – $399.3 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Payments-in-lieu of school taxes assessed in 2004 totalled $25.6 million (2003 – $25.7 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba. If property taxes are reduced due to an assessment reduction the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

15. Sales of Services and Regulatory Fees

	2004	2003
Water sales and sewage services	$ 145,926	$ 145,643
Other sales of goods and services	93,150	88,108
Transit fares	52,529	49,491
Regulatory fees	36,601	35,363
	$ 328,206	$ 318,605

16. Government Grants and Transfers

	2004	2003
Province of Manitoba grants:		
Tax sharing	$ 47,343	$ 47,343
Ambulance, libraries and other	24,896	27,759
Unconditional	19,888	19,887
Transit	16,854	17,354
Support	8,496	8,169
Support for Provincial programs	(23,650)	(23,650)
	93,827	96,862
Government of Canada grants:		
Canada Mortgage and Housing Corporation	174	174
Dutch elm disease program, job training and other	99	46
	273	220
	$ 94,100	$ 97,082

17. Expenses by Object

	2004	2003
Salaries and benefits	$ 495,701	$ 465,442
Goods and services	285,594	290,573
Debt repayment and interest	129,042	133,537
Grants and other expenses	19,234	21,451
	$ 929,571	$ 911,003

18. Environmental Liabilities

In 2004, the City has accrued an overall liability for environmental matters in the amount of $11.0 million (2003 – $11.0 million) which represents management's best estimate of this liability. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

19. Pension Costs and Obligations

a) Winnipeg Civic Employees' Benefits Program

Effective January 1, 2003, the restructuring of the City of Winnipeg's Employee Benefits Program was completed with The Winnipeg Civic Employees' Benefits Program becoming jointly trusteed. The Board of Trustees, representing Program members and employers, is responsible for overseeing the management of the Program, including the investment of assets and administration of the Program. The Program is a multi-employer contributory defined benefit program, providing pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers. Program members are currently required to make contributions of 6.5% of Canada Pension Plan earnings and 7.5% of pensionable earnings in excess of Canada Pension Plan earnings. The City and participating employers are required to make matching contributions. In the event of unfavourable financial experience, Program member and employers contributions can be increased, on an equal basis, to a rate not exceeding 8% of pensionable earnings.

An actuarial valuation of the Program was made at December 31, 2003, which indicated an excess of actuarial value of Program assets over actuarial liabilities of $437.7 million. The Pension Trust Agreement specifies how the excess of actuarial surpluses can be used but does not attribute the excess of actuarial surpluses to individual employers. However, a portion of the excess of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions.

The balance of the City Account at December 31, 2004 is $123.8 million (2003 – $123.8 million). Total contributions by the City to the Program in 2004 were $10.9 million (2003 – $8.5 million) which were expensed as incurred.

b) Winnipeg Police Pension Plan

Effective January 1, 2003, the City entered into an agreement with its two Police Associations concerning the sharing of surpluses and risks under the Winnipeg Police Pension Plan. Under the terms of the agreement, the existing Regular Account (which financed the Plan's defined pension benefits other than cost-of-living adjustments) and the Supplementary Account (which financed cost-of-living adjustments to pensioners) were merged into a single account and the actuarial surplus was used to fully fund future cost-of-living adjustments on all accrued pension and deferred pension benefits at the rate of 75% of the inflation rate, as well as establish a contribution stabilization reserve to maintain the City's contribution rate at 8% of pensionable earnings, which is the same rate as that at which police employees contribute to the Plan. Future actuarial surpluses, over and above those required to fully fund future cost-of-living adjustments to pensions at 75% of the inflation rate and the contribution stabilization reserve sufficient to maintain the City's contribution rate at 8% of pensionable earnings, will be shared equally between the City and the Plan members. The City will remain responsible for ensuring the financial solvency of the Plan with respect to benefits other than cost-of-living adjustments to pensions.

19. Pension Costs and Obligations (continued)

b) Winnipeg Police Pension Plan (continued)

An actuarial valuation of the Plan was carried out as at December 31, 2003 and the results were extrapolated to December 31, 2004. The principal long-term assumptions on which the valuation was based were: discount rate of 6.25% per year; inflation rate of 2.25% per year; and general pay increases of 3.75% per year. The accrued pension obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the Plan is as follows:

	2004	2003
Pension fund assets, at actuarial value	$ 742,112	$ 706,139
Accrued pension obligations	$ 685,847	$ 658,800
Contribution stabilization reserve	54,036	51,801
	$ 739,883	$ 710,601

The market value of the pension fund assets as at December 31, 2004, is $751 million (2003 – $693 million).

Total contributions made by the City to the Plan in 2004 were $6.9 million (2003 – $6.2 million). Total employee contributions to the Plan in 2004 were $6.9 million (2003 – $6.3 million). Benefits paid from the Plan in 2004 were $25.9 million (2003 – $23.9 million).

The expected rate of return on Plan assets in 2004 was 6.25% (2003 – 6%). The actual rate of return net of investment expenses, on Plan assets in 2004 was 10.3% (2003 – 13.8%).

c) Councillors' Pension Plan

i) Pension Plan Established Under By-law 3553/83

On November 2, 1992, the pension plan provided to members of Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2004, the City paid out $0.3 million (2003 – $0.3 million).

ii) Pension Plan Established Under By-law 7869/01

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of Council for The City of Winnipeg which is consistent with the Civic Employees' Pension Plan.

d) Group Life Insurance Plan

Employees of the City who are members of the Civic Employees' Pension Plan and the Winnipeg Police Pension Plan must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan respectively. These plans provide life insurance coverage for members while employed and coverage can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance coverage. An actuarial valuation indicated that this post-retirement liability is fully funded.

20. Property and Liability Insurance

The City purchases comprehensive insurance coverage for property and liability with a self-insured retention level of $250 thousand per claim for most of the policies. The City has established an Insurance Reserve Fund that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year. The balance of the reserve as at December 31, 2004 is $6.7 million (2003 – $7.1 million).

21. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Consolidated Financial Statements
Five-year Review

As at December 31 ("$" amounts in thousands of dollars, except as noted)

(Unaudited)	2004	2003	2002	2001	2000
1. Population (as restated, per Statistics Canada)	647,600	642,700	639,800	637,000	634,100
Unemployment rate (per Statistics Canada)					
• Winnipeg	5.5%	5.2%	5.3%	5.1%	5.3%
• National average	7.2%	7.6%	7.7%	7.2%	6.8%
2. Average total employees	8,788	8,385	8,333	8,870	8,888
3. Number of taxable properties	200,193	199,118	198,827	198,252	192,792
Payments-in-lieu					
• Number of properties	783	872	825	859	898
4. Assessment					
• Residential	$ 18,277,925	18,069,819	17,711,900	16,950,454	17,641,656
• Commercial and industrial	7,132,230	7,099,635	7,011,063	6,242,499	5,295,751
• Farm and golf	101,769	104,099	108,179	106,799	108,943
	$ 25,511,924	25,273,553	24,831,142	23,299,752	23,046,350
Assessment per capita (in dollars)	$ 39,395	39,324	38,811	36,577	36,345
Commercial and industrial as a percentage of assessment	27.96%	28.09%	28.23%	26.79%	22.98%
5. Tax arrears	$ 40,436	42,761	47,978	45,283	48,333
6. Tax arrears per capita (in dollars)	$ 62.44	66.53	74.99	71.09	76.22
7. Municipal mill rate	29.686	29.686	29.686	32.140	32.809
• Percentage change adjusted for portioning and reassessment	0.00%	0.00%	-2.00%	-2.42%	-2.00%
8. Winnipeg consumer price index (annual average)					
• 1992 base year 100	127.90	125.50	123.30	121.50	118.10
• Percentage increase	1.91%	1.78%	1.48%	2.88%	2.43%
9. Consolidated revenue					
• Taxation	$ 491,698	489,996	484,220	480,974	488,334
• User charges	328,206	318,605	295,893	416,408	409,474
• Government transfers	94,100	97,082	94,026	93,741	92,530
• Interest and other revenue	55,146	55,746	56,769	50,078	86,460
• Gain on sale of Hydro	-	-	227,476	-	-
	$ 969,150	961,429	1,158,384	1,041,201	1,076,798
10. Consolidated expenses by function					
• Municipal operations	$ 681,186	662,902	640,692	627,964	612,442
• Public utilities	217,171	218,246	223,814	324,858	307,868
• Civic corporations	31,214	29,855	30,307	27,758	26,566
	$ 929,571	911,003	894,813	980,580	946,876
11. Growth in Surplus for the year	$ 21,012	46,196	275,655	33,830	31,577
Growth (Decline) in Reserves for the year	$ 18,567	4,230	(12,084)	26,791	98,345

(Note: In 2002, the City conducted a general reassessment which moved from a 1996 level of value to a 1999 level of value.)

(Note: For 2001 and prior years, the revenue, expenses, change in surplus, and net financial assets (liabilities) figures have not been restated for CentreVenture Development Corporation.)

(Note: The 2001 – 2000 figures include Winnipeg Hydro's operations.)

Consolidated Financial Statements
Five-year Review

As at December 31 ("$" amounts in thousands of dollars, except as noted)

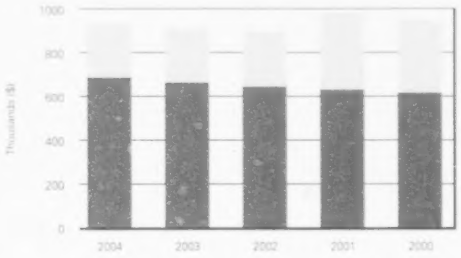
(Unaudited)		2004	2003	2002	2001	2000
12. Consolidated expenses by object						
• Salaries and benefits	$	495,701	465,442	433,185	437,557	435,028
• Goods and services		285,594	290,573	283,703	340,983	299,586
• Debt repayment and interest		129,042	133,537	143,856	176,253	189,312
• Grants and other expenses		19,234	21,451	34,069	25,787	22,950
	$	929,571	911,003	894,813	980,580	946,876
13. Payments to school authorities	$	439,062	425,053	414,140	395,404	380,905
14. Debt						
• Tax-supported	$	486,790	489,974	576,659	631,332	636,340
• Transit		35,092	33,606	38,007	42,607	42,782
• City-owned utilities		175,050	177,429	204,833	419,957	419,517
• Other		37,739	39,372	39,890	40,892	41,881
• Total gross debt		734,671	740,381	859,389	1,134,788	1,140,520
• Less: Sinking Fund		239,831	245,709	363,097	405,865	353,101
• Total net long-term debt	$	494,840	494,672	496,292	728,923	787,419
Percentage of total assessment		1.94%	1.96%	2.00%	3.13%	3.42%
15. Acquisition of tangible capital assets						
Gross purchase	$	143,286	164,384	157,511	135,693	124,075
Less: internally financed						
• Combined Sewer Renewal		16,290	15,398	18,074	16,957	17,532
• Other		6,553	3,837	2,681	1,709	1,058
• Watermain Renewal		6,281	6,541	8,964	7,940	7,399
• Transit Bus Replacement		5,499	9,237	4,865	3,686	-
• Sewage Disposal System		5,019	4,514	3,412	3,749	3,500
• Waterworks System		3,115	1,080	1,635	1,601	3,333
• General Purpose		1,192	4,170	-	-	-
• Aqueduct Rehabilitation		1,120	3,458	8,242	5,659	4,813
• Environmental Projects		950	1,187	935	453	792
• General Revenue		347	5,072	3,900	4,645	1,200
• Frontage levies		-	-	10,000	-	-
• Equipment and Material Services		-	-	301	6,727	1,994
		46,366	54,494	63,009	53,126	41,621
	$	96,920	109,890	94,502	82,567	82,454
16. Net financial assets (liabilities)	$	12,442	(46,874)	(98,690)	(576,326)	(668,103)
17. Reserves and Surplus						
• Reserves	$	316,468	297,901	293,671	305,755	278,964
• Surplus	$	617,296	596,284	550,088	270,076	236,246
18. Area in acres at the end of the year		116,000	116,000	116,000	116,000	116,000
19. Construction						
• Permits issued		8,977	8,344	8,719	7,938	7,893
• Value	$	674,619	649,071	427,028	372,969	475,691
Housing starts		2,335	2,208	1,451	1,290	1,044

Consolidated Financial Statements
Five-year Review

As at December 31 ("$" amounts in thousands of dollars, except as noted)

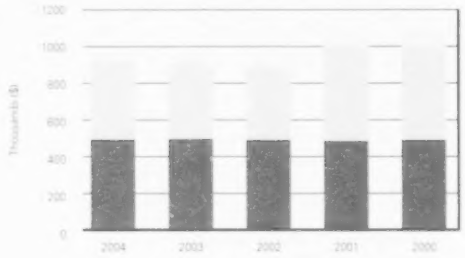
Consolidated Expenses by Function (1)

- Civic Corporations
- Public Utilities
- Municipal Operations



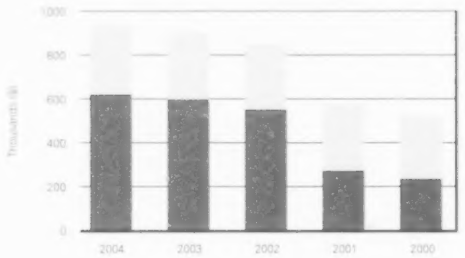
Consolidated Revenues by Source (1 and 2)

- Interest and Other Revenue
- Government Transfers
- User Charges
- Taxation



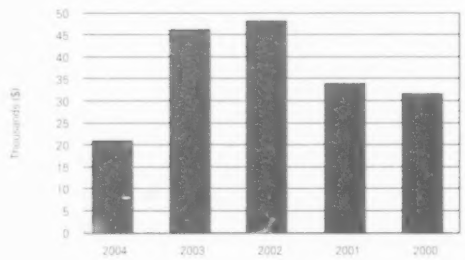
Reserves and Surplus (1)

- Reserves
- Surplus



Growth in Surplus for the Year (1 and 2)

- Surplus



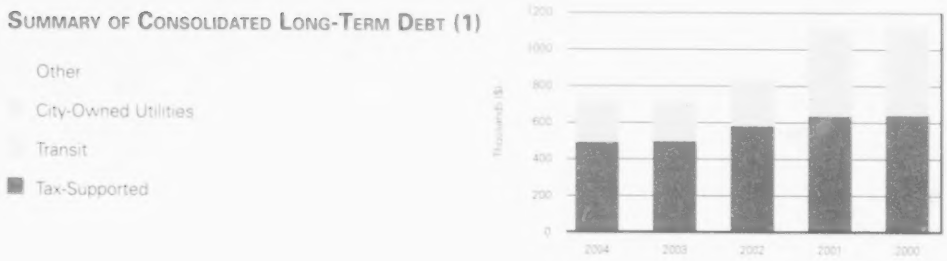
(1) Figures for 2001 – 2000 exclude CentreVenture Development Corporation and include Winnipeg Hydro.

(2) Excludes the gain on sale of Winnipeg Hydro in 2002.

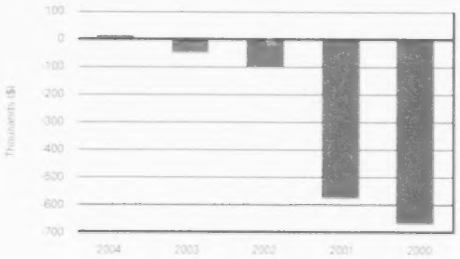
Consolidated Financial Statements
Five-year Review

As at December 31 ("$" amounts in thousands of dollars, except as noted)

Summary of Consolidated Long-Term Debt (1)



Net Financial Assets (Liabilities) (1)



Principal Corporate Taxpayers

	Total 2004 Municipal and Business Taxes (in millions of dollars)
Ontrea Inc.	$ 3.5
Centra Gas (Manitoba) Inc.	$ 3.4
OPB Realty (St. Vital) Inc.	$ 2.8
Canadian National Railway Co.	$ 2.0
Canada Safeway Limited	$ 1.9

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City of Winnipeg
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Inside back cover James O'Connor, Family in the park

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Destination Winnipeg Inc.
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Cover MTS Centre

Downtown Biz
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Exchange District Biz
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Larry Isaacoff
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Winnipeg Jazz Festival
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Metro Studio
Inside front cover City employee, Aerial Downtown
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Shakespeare in the Ruins/CMK Hull
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Winnipeg Blue Bombers /Dave Danchuk
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Winnipeg Fringe Theatre Festival/Bruce Monk
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Winnipeg Folk Festival
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Winnipeg Goldeyes Baseball Club
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Winnipeg Jazz Festival
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Winnipeg Police Service
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Winnipeg Symphony Orchestra/Bruce Monk
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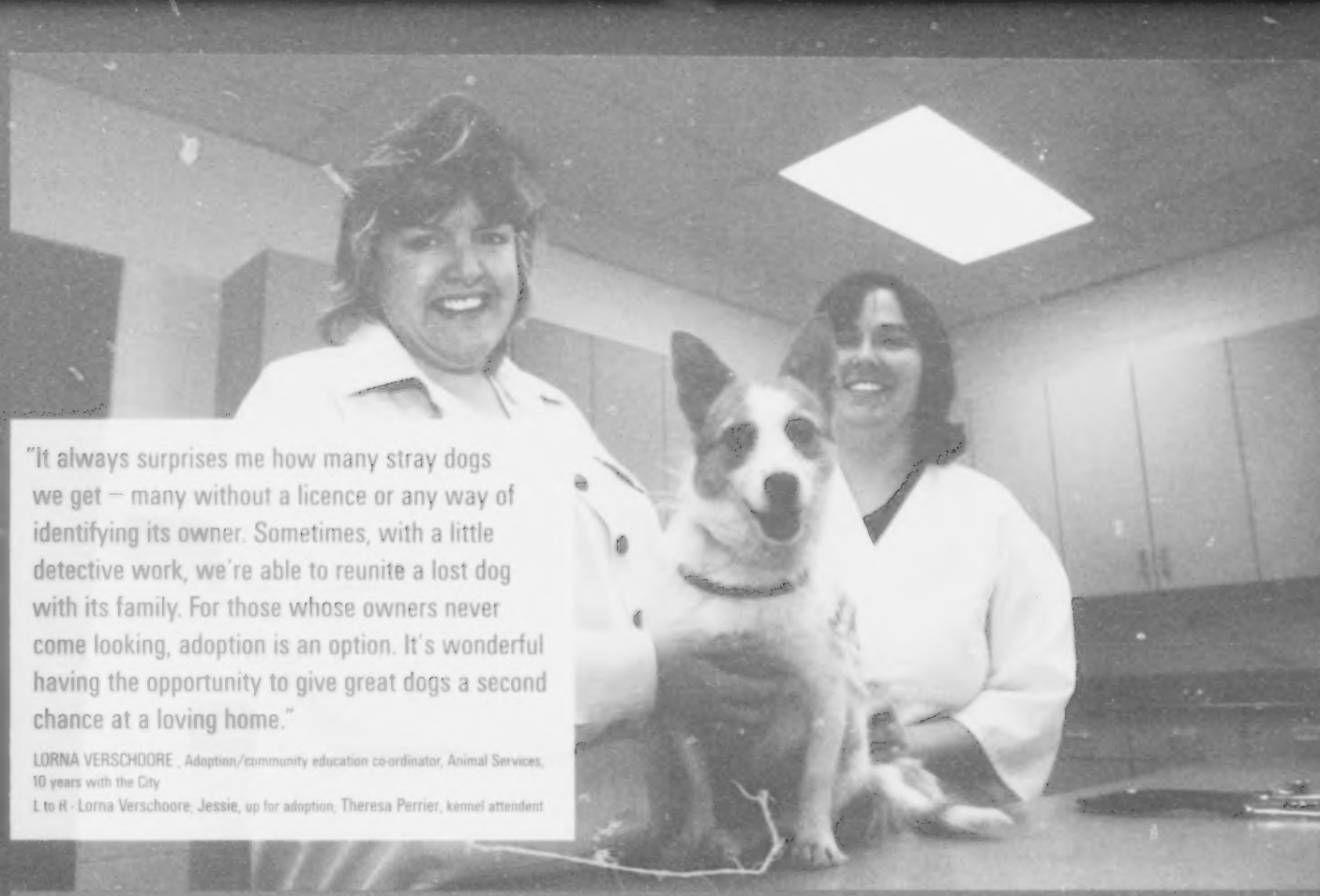

"It always surprises me how many stray dogs we get – many without a licence or any way of identifying its owner. Sometimes, with a little detective work, we're able to reunite a lost dog with its family. For those whose owners never come looking, adoption is an option. It's wonderful having the opportunity to give great dogs a second chance at a loving home."

LORNA VERSCHOORE , Adoption/community education co-ordinator, Animal Services, 10 years with the City
L to R - Lorna Verschoore; Jessie, up for adoption; Theresa Perrier, kennel attendent